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

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Education and entrepreneurial spirit

The attitude of a man is influenced by the quality of education. Too often we use to exclusively impute to the system the educational problems of individuals and groups. It is necessary to look lucidly and to identify the role of family, civil society and individuals in education. Exercising leadership means continuously learning and, therefore, it is difficult to separate the educational dynamics from the team evolution at organizational level. The training of individuals occurs in variable contexts that they create or in which they are involved.

From the leadership perspective, education is also a problem of assuming responsibilities. The set of values that outlines a social behaviour imposes also disclaimers. In such context, disclaimers can define the understanding of the efficient use of resources in favour of the group and not in one's own interest. Hence, the management lesson for those who will be prepared to lead begins.

That's how the practical management and leadership lessons can contribute to the creation of complex personalities. Leaders and managers define a reality in which education plays a central role. Therefore, self-education becomes a must because it will impose the development of the spirit of initiative and the selection of those having both potential and skills to become leaders, managers and entrepreneurs.

We can say that it is imperative to move on from „the game of chance“ to the real performance standards in training tomorrow's decision-makers.

Prof. Ph.D. Paul Marinescu

ISO 9001 - Certificates by industrial sector in the world as a key decision variable

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Abstract: The aim of this article is to present and analyse trends in the scope of the implementation of quality certificates compliant with the ISO 9001 standard. The analysis will concern the trend in the sectoral approach all over the world. The preparation of data, their analysis and drawing conclusions have been made on the basis of the desk research method. The data was gathered by means of an analysis of source materials such as, among others: announcements, press releases, reports for industries, publicly available reports of companies and research institutions, information from the Internet. The main conclusion is the fact that the number of certificates compliant with the ISO 9001 standard is constantly growing in the world. The kind of business activity determines the engagement in the certificate implementation. The subject of research provided conclusions and at the same time, became an inspiration for defining research issues such as the ex-post analysis of the information available, drawing conclusions and drawing up directions of development. The retrospective analysis in the scope of the sectoral analysis of ISO 9001 trends, drawing conclusions and drawing up evolution directions is the author's original contribution.

Key words: ISO 9001, certificates by industrial sector, decision managers

JEL Classification: E2, F6, L1

Introduction

The total quality management (TQM) all over the world is implemented by means of many concepts, for which a lot of supporting methods and tools of strategic and operational character were developed [Haffer, 2003; Hamrol, 2005; Kolman, 2009; Borys, 2012; Hawrysz and Hys, 2012; Karaszewski and Skrzypczyńska, 2013; Lisiecka, 2013; Hys and Hawrysz, 2014; Hys and Lorenc, 2015]. Generally speaking, the TQM concept is considered to be a key quality management idea at the international level. The TQM concept has a positive influence on the creation of operational solutions, generally known as Kaizen and the formation of a systemic approach to quality by means of the implementation of the ISO 9001 standard principles [Skrzypek, 2000; Lisiecka, 2003; Urbaniak, 2012; Lisiecka, 2013; Wolniak, 2013; Wolniak, 2014]. By Kaizen we mean among others: customer orientation, Total Quality Control - TQC, robotics, Quality Circles - QC suggestion systems, automation, discipline in the workplace, Total Productive Maintenance - TPM, kanban, improving quality, just-in-time - JIT, zero defects, working in small teams, cooperation between the different levels of the organization, increase productivity and development of new products[Imai, 1986]. Whereas the implementation of the ISO 9001 standard to the structures of a given organisation is a documented confirmation of the fact that the implemented activities meet requirements of the systemic approach to the quality management process [Łańcucki, 1999; Lisiecka, 2001; Łunarski, 2008; Karaszewski, 2009; Urbaniak, 2011; Hys and Hawrysz, 2014b; Hys, 2014a; Wolniak, 2013].

The research in the paper is focused on the issue of the company certification level

compliant with the ISO 9001 standard all over the world. It has been assumed that by the quality we mean the level of meeting the client's defined requirements, whereas the level of the client's requirements which are being met is now a key factor of the economic reality assessment by the managers. It has an influence on the market possibilities of a given company. In the context of the contribution made by the management, the quality management system in the ISO 9001 standard is treated as a system of organisation management, in particular its supervision in relation to the quality. It has been agreed at last that the aim of this elaboration is an analysis of the dynamics of the formation of the number of the implementations of certificates compliant with the ISO 9001 standard in the sectoral system. Particular attention has been paid to the dynamics and trend of the formation of the number of the implementations of certificates compliant with the ISO 9001 standard in the sectoral system on the world market. This paper is a continuation of a series of papers in this scope [Rogoziński, 2005; Hawrysz, 2014a; Skrzypek, 2013; Hawrysz and Hys, 2013].

1. Background

Principles of the ISO 9001 standard form the way of perceiving the organisation in the framework of its employees, including decision-makers. The ISO 9001:2008 standard includes eight fundamental principles, which influenced the way of seeing the organisation activities both by its employees and stakeholders (including customers, competitors, partners, market). The enforcement of ISO 9001 principles by employees of a given organisation is a kind of a promise to meet

client's expectations. The fact of satisfying the client's needs has an influence on the level of purchase made by them and at the same time, on the level of profit and satisfaction of the management. The following principles of the ISO 9001 have been included in the standard [Borys, 2011;

Casadesús et al., 2011; Chiarini, 2015]:

- Customer focus Organizations depend on their customers and therefore should understand current and future customer needs, should meet customer requirements and strive to exceed customer expectations.

- Leadership - Leaders establish unity of purpose and direction of the organization. They should create and maintain the internal environment in which people can become fully involved in achieving the organization's objectives.

- Involvement of people - People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit.

- Process approach A desired result is achieved more efficiently when activities and related resources are managed as a process.

- System approach to management - Identifying, understanding and managing interrelated processes as a system contributes to the organization's effectiveness and efficiency in achieving its objectives.

- Continual improvement Continual improvement of the organization's overall performance should be a permanent objective of the organization.

- Factual approach to decision - Effective decisions are based on the analysis of data and information.

- Mutually beneficial supplier relationships - An organization and its suppliers are interdependent and a mutually beneficial

relationship enhances the ability of both to create value.

The applied principles and operational solutions suggested in the ISO 9001 standard have a lot of supporters both among scientists and practitioners [Hys and Hawrysz, 2011]. Results of an analysis concerning global tendencies in the scope of the implementation dynamics of the certificate compliant with the ISO 9001 standard all over the world, presented in this paper, are the objective evidence.

2.Data and Methods

The quality management concept is one of potential answers to questions, one of solutions looked for by managers, solutions supporting their decision-making process [Hawrysz, 2014b; Hawrysz and Hys, 2014]. The formalised quality management compliant with the ISO 9001 standard has been used by organisations since the 1990s [Hys, 2014b, Borys, 2013; Barata and Cunha, 2014]. This article is a continuation of the author's papers in the scope of forming global trends in the scope of dynamics of changes in the implemented quality certificates compliant with the international ISO 9001 standard [Hys and Hawrysz, 2012].

The preparation of data, their analysis and drawing conclusions have been made on the basis of the desk research method. The data was gathered by means of an analysis of source materials such as, among others: announcements, press releases, reports for industries, publicly available reports of companies and research institutions, information from the Internet.

An analysis of the implementation dynamics to organisations all over the world

has been made in the scope of 39 defined sectors. Among these sectors are:

1. Agriculture, fishing.
2. Mining and quarrying.
3. Food products, beverages and tobacco.
4. Textiles and textile products.
5. Leather and leather products.
6. Wood and wood products.
7. Pulp, paper and paper products.
8. Publishing companies.
9. Printing companies.
10. Manufacture of coke & refined petroleum products.
11. Nuclear fuel.
12. Chemicals, chemical products & fibres.
13. Pharmaceuticals.
14. Rubber and plastic products.
15. Non-metallic mineral products.
16. Concrete, cement, lime, plaster, etc.
17. Basic metal & fabricated metal products.
18. Machinery and equipment.
19. Electrical and optical equipment.
20. Shipbuilding.
21. Aerospace.
22. Other transport equipment.

23. Manufacturing not elsewhere classified.

24. Recycling.

25. Electricity supply.

26. Gas supply.

27. Water supply.

28. Construction.

29. Wholesale & retail trade; repairs of motor vehicles, motorcycles & personal & household goods.

30. Hotels and restaurants.

31. Transport, storage and communication.

32. Financial intermediation, real estate, rental.

33. Information technology.

34. Engineering Services.

35. Other Services.

36. Public administration.

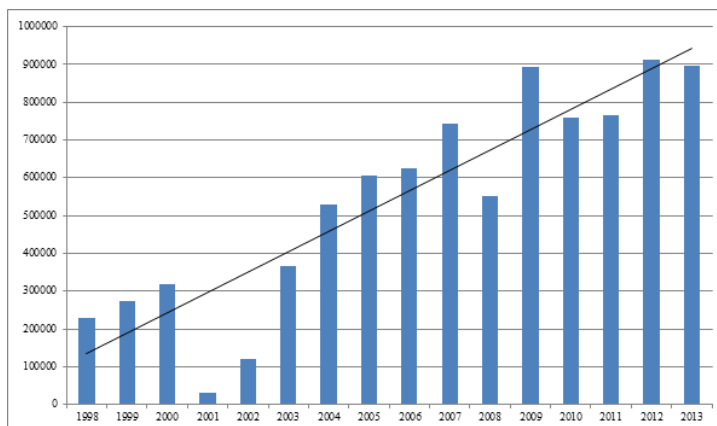
37. Education.

38. Health and social work.

39. Other social services.

The data analysis has been made for the years 1998-2013. The number of implemented certificates in particular years has been presented in Figure 1. Moreover, Table 1 presents detailed figures which reflect the structure of given sectors.

Fig. 1. The number of certificates implemented in different years



An analysis of the number of implemented certificates ISO 9001 makes it possible to notice the following phenomenon. Generally speaking, the number of implementations shows a growing trend. The level of implementations in the year 2001 deserves attention. A dramatic fall of the number of implementations reflects the situation which took place at this time. In the year 2000 a new version of the standard was implemented and important changes were made in it. Among these changes it is possible to

enumerate the focus on the approach to the quality which illustrates the concept of continuous improvement. Ensuring the quality regulating operation has become an element of the quality management system apart from planning, controlling and improving quality. In the ISO 9001 standard, it is recommended for the quality management system to focus on the process-oriented approach and take into consideration the concept of continuous improvement.

Table 1. The number of ISO 9001 - sectoral data

SECTOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1.	610	678	1745	112	813	2584	4359	5797	5540	4896	3190	5234	4595	4683	4883	4953
2.	1052	1791	2028	131	607	1758	1801	2436	2508	2673	2164	3204	2955	2766	4039	3479
3.	7347	8746	11440	1317	5113	14682	22036	25737	26879	31060	21608	38817	33193	28434	33705	32519
4.	2835	3673	5178	593	3045	7151	10131	11024	11892	12935	6404	14105	12223	13319	15176	14461
5.	2313	2093	926	115	492	1394	2118	2252	2350	2726	1136	2369	2538	2562	2712	2728
6.	2218	1967	2225	197	868	2483	3971	4824	5196	6130	3691	6759	6498	6284	6823	6535
7.	1316	3279	4785	420	1227	4375	5674	5929	6218	7171	4328	8192	8970	8521	8556	9405
8.	363	354	445	68	190	617	844	697	608	539	513	670	707	657	775	724
9.	1998	2939	3299	378	1097	3234	4965	5808	6168	7518	5084	8732	7624	8341	9161	9223
10.	1009	1669	1929	127	407	1052	1614	2072	2199	2324	1096	2002	1792	1626	1669	1955
11.	279	220	115	4	108	68	69	131	167	125	94	257	330	465	321	433
12.	11803	12615	14790	1232	5481	15806	22911	23685	25306	29924	15925	31880	29557	30278	33583	33610
13.	1160	1105	1451	137	496	1160	1943	2757	3061	3062	2722	3588	3222	3766	3840	6710

14.	6277		13575		18036		1315		5210		16683		24720		26943		28987		36024		25106		42682		39425		40854		44769		45204
15.	2328		3571		4209		454		2113		5847		7977		8973		9482		11122		5328		12447		11480		11305		12392		12367
16.	4998		7107		6467		544		2312		6217		8812		8956		9142		11808		6790		12709		10656		11567		13065		12250
17.	28885		28972		40713		2912		13248		41455		59045		69198		72100		92230		64518		107253		95375		101848		115731		116602
18.	20275		19827		23027		2146		9246		27705		39023		44787		46296		54432		30334		63523		58685		58427		63723		63497
19.	36653		40035		38148		3558		14001		38782		51623		57161		59138		73139		42601		85357		81893		79237		85969		87797
20.	398		4670		589		50		188		984		972		1030		1192		1917		1526		3056		2783		2396		2952		2131
21.	1052		4131		924		58		184		606		1025		967		1161		1113		1399		2105		1758		1464		2359		1776
22.	3040		7656		9072		599		2465		9311		12998		12733		12137		14518		8228		15086		13415		12141		12544		11899
23.	2106		4844		5534		807		1879		4535		7500		7293		8188		10072		6647		12386		12768		10533		11642		11823
24.	1001		1765		932		97		357		580		989		1445		1199		1639		1918		2342		2104		2648		2869		3371
25.	860		932		979		171		569		1190		1887		2163		2251		2323		2006		2854		2404		1948		2681		3069
26.	390		558		531		41		171		559		658		863		975		911		1011		1210		871		612		1003		1254
27.	505		799		1242		106		331		138		1136		1404		1525		1551		1526		1991		2602		1535		2658		2318
28.	19768		25273		32389		3507		15752		51188		71652		82669		80432		95076		76043		116672		82262		83864		108396		80920
29.	16451		13803		18530		2275		8723		23751		35380		43971		44620		51185		46180		63015		53051		55961		70082		73167
30.	865		1794		1187		204		670		2245		2924		3557		3875		4186		3437		4731		3499		3664		5496		5021
31.	11738		11366		13181		1221		4592		14955		21265		23520		23372		27202		24899		32286		22804		24846		31679		31490
32.	4690		3218		4367		773		2322		6149		9559		10452		10604		13008		8571		13900		11057		11423		16445		16198

34.	8064	9201	11451	1590	4699	13738	19657	21277	20969	26683	20761	35909	32726	31086	38160	38659
35.	13088	12150	13160	1886	5169	18379	26954	34825	37507	39657	41404	53116	41615	40303	54572	55602
36.	689	2086	1404	331	780	2229	3457	4213	4371	6208	4911	7938	5399	6468	7428	8039
37.	1833	3996	4282	580	1529	5915	9625	12607	13200	14832	16242	19689	14511	14141	19379	19713
38.	1250	2871	3820	411	1723	5561	10295	13389	14180	16516	19712	21909	16278	19351	25036	26992
39.	2513	2005	1529	332	629	4413	5657	6817	7073	7750	8518	12748	7620	6987	10601	10240
TOTAL	229846	274040	317126	31816	121467	367385	528638	607147	625742	743147	550076	894133	760243	766778	911564	895363

Source: Iso-survey, 2013

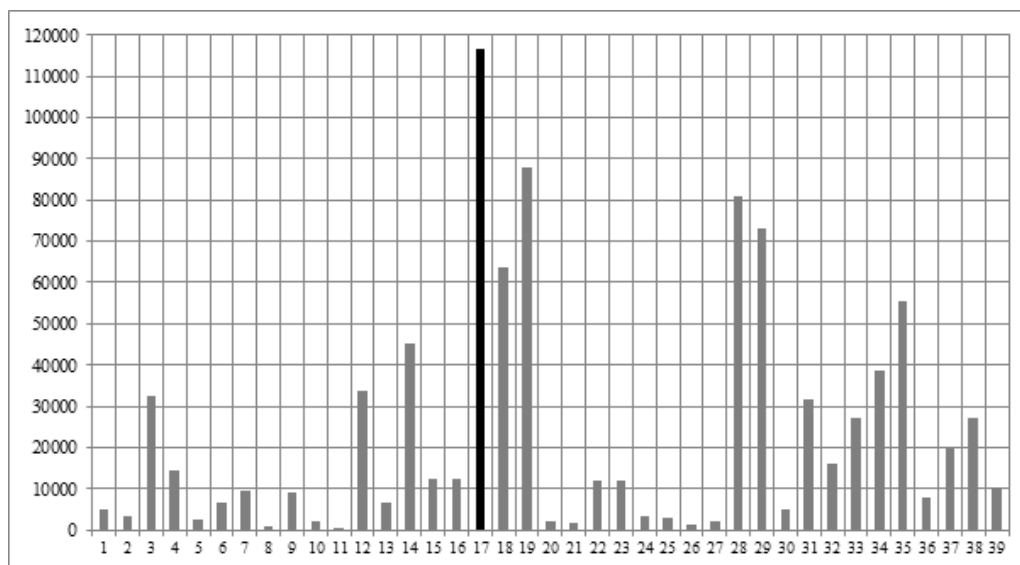
At the same time, there was a redefinition of the quality context in the companies. The process of re-education took place and then, the process-oriented approach became the basis of operation for the companies all over the world. As a consequence, it is possible to notice that the ISO 9001 standard was accepted by the business environment. It became a synonym of the quality standard, the principles and applied operational solutions

of which formed a kind of an international language code. The code is clearly understood by all parties involved.

3.Results and Discussion

The data overview makes it possible to state leading sectors in the scope of implementing certificates compliant with the ISO 9001 standard (Fig. nr. 2).

Fig. 2. Sector presentation implemented ISO 9001 in 2013



Source: own study based on Iso-survey, 2013

For the defined 39 sectors, 13 exceeded the level 20 000 of the certificates implementation all over the world. Out of which only in the companies representing seven sectors exceeded the level 40 000 of the certificates implementation. Among them were companies, the names of sectors of which have been included in Table 2.

Table 2. Top seven industrial sectors for ISO 9001 certificates 2013

Top seven industrial sectors for ISO 9001 certificates 2013		
1	Basic metal & fabricated metal products (17)	116602
2	Electrical and optical equipment (19)	87797
3	Construction (28)	80920
4	Wholesale & retail trade; repairs of motor vehicles, motorcycles & personal & household goods (29)	73167
5	Machinery and equipment (18)	63497
6	Other services (35)	55602
7	Rubber and plastic products (14)	45204

Source: Iso-survey, 2013

The ISO 9001 certificate is most often implemented to the basic metal & fabricated metal products sector organisations all over the world. This trend has been unchanged since 2010. In case of 26 sectors the implementation number is below 20 000, out of which in nine sectors the level 10 000 of implementation was exceeded. These companies operate in the following sectors: other social services (39), manufacturing not elsewhere classified (23), other transport equipment (22), concrete, cement, lime, plaster, etc. (16), non-metallic mineral products (15), textiles and textile products (4), financial intermediation, real estate, rental (32) and education (37).

In case of companies representing the remaining 18 sectors there is a well-visible delay in the ISO 9001 standard implementation. This situation is surprising in the context of promoted benefits of the quality management systems implementation compliant with the ISO 9001 quality standard [Kafetzopoulos and Psomas, 2014;

Lewis et al., 2006; Pantouvakis et al., 2013; Poli et al., 2014; Sampaio et al., 2011; Tzelepis et al., 2006; White et al., 2009]. Implementations on a limited scale (below 10 000) are made in case of organisations operating in the following sectors: nuclear fuel – the lowest level among all studied (11), publishing companies (8), gas supply (26), aerospace (21), manufacture of coke & refined petroleum products (10), shipbuilding (20), water supply (27), leather and leather products (5), electricity supply (25), recycling (24), mining and quarrying (2), agriculture, fishing (1), hotels and restaurants (30), wood and wood products (6), pharmaceuticals (13), public administration (36), printing companies (9) and pulp, paper and paper products (7).

4. Conclusion

The presentation and analysis of trends in the scope of the implementation of quality certificates compliant with the ISO 9001 standard has been the aim of this paper. All companies which implement the ISO 9001 standard were assigned to 39 defined sectors. An analysis of the dynamics of changes in the scope of the number of implemented certificates compliant with the ISO 9001 standard made it possible to draw the following conclusions. The number of certificates all over the world compliant with the ISO 9001 standard has been continuously growing. It is interesting how the level of implemented certificates changes depending on the business activity sector. As it has been observed, the kind of business activity determines the engagement in the certificate implementation. Companies operating in the basic metal & fabricated metal products sector have had the leading role here for five years. The other places belong to companies representing the manufacturing sector, industry, construction and trade. The smallest number of implementations is in case of the companies of the nuclear fuel – the lowest level among all studied, publishing companies, gas supply, aerospace, manufacture of coke & refined petroleum products and water supply sector.

However, it does not mean that these companies do not meet quality standards. It is necessary to remember that there are many kinds of standards compliant with the ISO 9001 standard. It has been estimated that the number exceeds 19 500 [www.iso.org/iso/catalogue_ics]. Apart from that, as it has been mentioned at the beginning of the article, the ISO 9001 standard is one of many pro-quality solutions adopted in companies all over the world. Making a decision to use pro-quality

solutions in an organisation, in particular the ISO 9001 standard implementation is up to the decision making body. The analyses also show that the ISO 9001 standard meets the decision making body's requirements. The

trend is positive and continues to grow. It is thus possible to forecast that the implementation dynamics will still be growing in the future.

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The Managers' Influence On The Workers' Engagement – A Case Study Of Public Sector Workers

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Abstract: *The workers' engagement means that they are loyal to their employers, trust both supervisors and co-workers, are not interested in changing their job, are proud of their work for a given company and that the boundary between private and professional life is often blurred. Proponents of the concept highlight the positive influence of engagement on the success of the company measured by workers' loyalty, productivity, profitability and customers' satisfaction. This is why, more and more researchers are interested in this concept. Apart from the engagement concept itself and the ways of its measurement, they pay attention to the possibility of affecting the workers' engagement. However, researchers do not totally agree to the set of factors determining the workers' engagement. There is though some agreement in their suggestions concerning the way of perceiving managers as one of the key factors determining the workers' engagement. The aim of this article is to state whether the attitude of managers of the public sector organisations has a positive influence on the workers' engagement. The article also tries to show differences in the management's attitudes in Poland and abroad. For the needs of aims verification a survey was carried out among 1716 workers employed in 220 purposefully chosen public sector organisations located mainly in Europe.*

Key words: engagement, drivers of engagement, managers, public sector

JEL Classification: H 83, J45, O15

1.Introduction

Organisational engagement is a relatively new concept in academic literature and the interest in it among practitioners is constantly growing. Proponents of the concept highlight the positive influence of engagement on the success of the company measured by workers' loyalty, productivity, profitability and customers' satisfaction. Engagement is a kind of a worker's attitude expressing his specific behaviour towards the attitude object, supported by the emotional attitude towards a given system of values, organisational culture, management style or company aims. This engagement is a kind of a barter between a worker and an organisation. It can be defined as the willingness to make an effort for an organisation, connected with passion and devotion. This effort exceeds formal, current duties. It is a voluntary effort which can be particularly well-visible in non-standard situations (situation of conflict, crisis, overtime work, undertaking additional obligations). The engagement object can be organisation, profession, work, social environment. The workers' engagement means that they are loyal to their employers, trust both supervisors and co-workers, are not interested in changing their job, are proud of their work for a given company and the boundary between private and professional life is often blurred (Juchnowicz, 2010). The aim of this article is to state whether the attitude of the public sector organisation management has a positive influence on the workers' engagement. The article also tries to show differences in the management's attitudes in Poland and abroad. For the needs of aims verification a survey was carried out among 1716 workers employed in 220 purposefully chosen public sector organisations

located mainly in Europe. The research sample was agreed on the basis of information available in the data base of the European Institution of Public Administration (EIPA). All organisations of the public sector included in the data base were invited to take part in this research.

2.Literature review

It is possible to differentiate two ways of understanding organisational engagement in the source literature. The first way was introduced by Kahn and was based on the personal worker's commitment based on the individual perception of the working environment as a place of personality manifestation. Organisational engagement is correlated with three attributes: sensibleness, safety and availability (Kahn, 1990), (May at all. 2004), (Institute of Employment Studies), (Society for Human Resource Management (SHRM)), (Institute for Employment Study). The second way was initiated by Maslach, Leiter and Schaufel and is based on the work commitment which is treated as a state contradictory to the professional burn-out and it means performing tasks in a dynamic manner, willingly, with commitment (Maslach and Leiter, 1997), (Schaufeli at all., 2002), (Catepillar), (Gallup Organization), (The Business Communicator), (Hewitt Associates). A common feature of these ways of understanding engagement is adopting a perspective for performing individual tasks.

Considerations of practitioners were dominated by the second way of understanding engagement so in their papers engagement is understood as:

- engagement and enthusiasm level (Attridge, 2009), (Gallup, 2006),

- willingness to make their own contribution to the success of the organisation (Towers Perrin, 2003),

- hierarchy of relationships with the organisation close to the Maslow's hierarchy of needs (Markos and Sridevi, 2010), (Penna, 2011),

- performance of duties exceeding ordinary requirements (Robbins at all., 2004).

There is no coherent concept of organisational engagement in the source literature (Balcerek-Wieszala, Hawrysz, 2012), (Hawrysz, 2010). However, Macey's and Schneider's proposal is very interesting. They state that organisational engagement is a feature, state and behaviour (Macey and Schneider 2008). As a feature, organisational engagement concerns mainly people with proactive personality, autotelic approach, conscientious, having a positive influence on others and a positive attitude towards work, active, full of energy and easily adapting to new requirements and challenges. Engagement as a state is defined as satisfaction, commitment, involvement and empowerment (having a real decision-making power by workers). Engagement as a behaviour is seen in taking initiatives, innovation, looking for opportunities, willingness to make one's own contribution and performing tasks exceeding normal requirements (Hys, 2013). Engagement as a behaviour is a kind of adaptation to changes and forecasting threats for the organisation. Engagement as a feature interacts with working conditions and organisational culture making engagement as a state and behaviour (Hawrysz, 2014). Working conditions, according to Macey, W. and Schneider, B. are of critical importance to the creation of all engagement aspects (Macey and Schneider 2008). Critics of Macey's and

Schneider's proposal pay attention to the fact that they did not provide a clear definition of engagement and an instrument for its measurement (Witemeyer, 2013), (Saks, 2008).

D. R. May, R.L. Gilson and Hartner L.M (Attridge, 2009) created a 3D work engagement concept. It consisted of physical elements ("I do my best to work well"), emotional elements (e.g. "I give my heart to my work") and cognitive elements (e.g. "My work is so demanding that I forget about everything else").

Despite growing popularity of workers' engagement analyses carried out by consultancies, neither psychologists nor practitioners or theoreticians created a common definition of this notion. However, it is possible to notice convergence of definitions created by scientific and counselling centres mentioned above. A part of definitions also relates engagement directly with results of the company (Dell), (The Business Communicator), (Society for Human Resource Management (SHRM)), (Institute for Employment Study), (Hewitt Associates), (Endres and Mancheno-Smoak, 2008), (Vance, 2006), (Wolniak, 2012b), (Hys, 2013), (Hys, 2013a), (Hys, 2013b), (Maj, 2013), (Maj, 2014), (Maj, 2012), (Maj, 2012a), (Łobos and Szewczyk, 2014).

There are dozens of different ways of measuring the engagement level on the market at the moment proposed by consulting companies. The most popular among them is The Gallup Organization's model including twelve statements making it possible to calculate the engagement index called Q12. This tool makes it possible to make a diagnosis of the engagement level and in consequence evaluate the development possibility of a given worker. Its popularity results from its

application simplicity (Gallup Organization, 2006).

Tower Watson created a sustainable engagement model consisting of three elements: traditional engagement (identification with the organisation purposes, emotional attachment to an organisation and the taking pride in being the organisation's employee as well as the willingness to make additional effort in order to support the organisation), enablement (no obstacles in succeeding at work, availability of resources necessary to perform tasks at work, ability to perform tasks effectively) and energy (ability to maintain energy at work, atmosphere of support, enthusiasm connected with the performance of tasks). There is a division into four groups of workers on the basis of the set of nine questions, in which respondents evaluate whether above-mentioned elements are really a part of their working environment. The four groups of workers are as follows:

- **Highly engaged:** obtaining good results in all three aspects of the model.
- **Unsupported:** obtaining good results in the aspect of traditional engagement but bad results in two other aspects.
- **Detached:** obtaining good results in enabled and/or energized but bad results in the aspect of traditional engagement.
- **Disengaged:** obtaining poor results in all three aspects. (Towers Watson, 2012).

This model was used in the years 2012 and 2014 to analyse the workers' engagement. Results obtained in the year 2014 among 32 thousand workers showed that 40% of workers show engagement (Towers Watson, 2014). In comparison to results of an analogical survey carried out in the year 2012 the workers' engagement increased by 5% (Towers Watson, 2012). Detailed results of analyses are illustrated in Table 1.

Table 1 Workers' engagement levels according to Towers Watson

	Towers-Watson-Global-Workforce-Study 2012	Towers-Watson-Global-Workforce-Study- 2014
Highly engaged	35%	40%
Unsupported	22%	19%
Detached	17%	17%
Disengaged	26%	24%

Source: on the basis of results of analyses carried out by Towers Watson in the years 2012 and 2014.

The model proposed by Towers Watson will be used in the further part of the paper in order to make a diagnosis of the management's influence on the workers' engagement.

2.1. Drivers of engagement

Although determining the level of workers' engagement is very important, it is only a starting point for building their engagement. Practitioners and theoreticians cannot reach

an agreement concerning the set of factors determining organisational engagement.

Joshi and Sodhi identified six factors considered to be crucial for workers' engagement on the basis of empirical analyses (Joshi and Sodhi, 2011). Among them it is possible to enumerate:

- job kontent,
- nonetary benefits,
- work life balance,
- top-management employee relations,
- scope for advancement and career

growth,

- team orientation/team work (Joshi and Sodhi, 2011).

Rudawska identified a similar set of factors on the basis of the source literature:

- work organisation – technical working conditions, information and resources availability, workers' participation in the scope of choosing ways of acting and solving problems,

- possibilities of workers' development in the context of creating a career path, competence development and character of work making it possible to use the workers' knowledge,

- principles and mechanisms of remuneration as well as a sense of justice, relating

remuneration to effects, both individual and company ones,

- relationship with direct manager as well as his attitude, behaviours and authority,
- relationship with co-workers understood among others as working atmosphere,
- trust (Rudawska, 2011).

Both sets of factors pay attention to the job characteristics, possibilities of development, financial issues, relations employer vs. employee as the most important factors affecting the organisational engagement. The authors have different opinions on other factors from the set.

Saks claims that the following factors are crucial factors affecting the organisational engagement: job characteristics, perceived organizational support, perceived supervisor's support as well as distributive and procedural justice (Saks, 2006). A certain changeability of factors can be due to changing needs and workers' expectations what is included and highlighted in the results of reports prepared by Towers-Watson in 2012 and in 2014. Table 2 includes a set of factors considered to be crucial for engagement in the years 2012 and 2014.

Table 2 Top five drivers of sustainable engagement

Towers-Watson-Global-Workforce-Study 2012	Towers-Watson-Global-Workforce-Study- 2014
Leadership Stress, balance and workload Goals and objectives Supervisors Organization's image	Leadership Goals and objectives Workload and work/life balance Organization's image Empowerment

Source: on the basis of results of analyses carried out by Towers Watson in the years 2012 and 2014.

1.1.1. The management as the most important variable affecting the workers' engagement

Although researchers do not agree as far as the complete set of key factors for building engagement is concerned, they agree that leadership is important (Joshi and Sodhi, 2011), (Rudawska, 2011), (Saks, 2006), (Towers Watson, 2012), (Towers Watson, 2014), (Hawrysz and Hys, 2014), (Wolniak, 2011), (Wolniak, 2012), (Wolniak, 2012a), (Hys, 2014).

The most important factors determining the leadership efficacy are:

- understanding the factors that drive business success,
- believing that respecting individual and cultural differences is important for our success,
- communicating a clear and compelling vision for the future,
- making rational, data-driven decisions that benefit the organization in the long term,
- inspiring employees to give their best,
- seeking out feedback to identify opportunities to learn and grow,
- being flexible in new situations (Towers Watson, 2014).

If there is no leadership in companies, managers play a key role in building engagement (Hawrysz, 2011), (Hawrysz 2011a), (Hawrysz, 2014a). Among managers' behaviours identified as particularly important for building the workers' engagement in the year 2014 are:

- respect for workers,
- clear definition of purposes,
- consistency of declarations and actions,

- support in problem solving,
- appreciation of workers' effort (Towers Watson, 2014).

According to results of analyses published in the year 2012 the following behaviours appeared apart from the above-mentioned ones:

- taking into consideration the workers' competence in tasks division,
- motivating workers to perform hard tasks,
- inspiring workers to ensure better work quality (Towers Watson, 2012).

All identified factors were used to analyse whether the behaviours of public sector organisations managers have a positive influence on the workers' engagement.

2. The characteristics of the conducted studied

The basis for gathering information in the scope of research was a questionnaire addressed to employees of purposefully chosen organisations of the public sector located mainly in Europe. The research was carried out within the years 2012-2013 on the group of 220 public sector organisations (102 Polish and 118 European). 1716 employees took part in them. The research was carried out among public sector organisations to which among others belong ministries and central offices, voivodeship offices, marshal offices, poviast authorities, municipal/communal authorities, tax chambers and offices, customs offices. All public sector organisations included in the EIPA (European Institution of Public Administration) base were invited to join. Only some chosen parts of the research have been presented in the paper. An analysis of relationships between variables was made by

means of a chi-square test together with the measure of the relationship strength (contingency coefficient (C), V Cramer's). The significance level was assumed to be as follows: $\alpha=0.05$. Results recognised as being statistically significant were those in case of which the calculated test probability p fulfilled the inequality $p<0.05$

Workers of analysed organisations were supposed to make characteristics of attitudes

of their direct supervisors, identified during literature analysis as crucial for building engagement. Answers given by respondents were analysed with taking into consideration the country of origin (Poland or abroad) in order to identify differences in the management's attitudes in Poland and abroad. Table 3 includes detailed percentage distributions for answers given by respondents.

Table 3 The evaluation of managers' attitudes

		never	sometimes	often	always	don't know
respect for workers	Polish	2%	10%	30%	52%	6%
	Abroad	3%	8%	30%	55%	4%
clear definition of purposes	Polish	1%	2%	37%	59%	1%
	Abroad	1%	11%	33%	49%	6%
consistency of declarations and actions	Polish	5%	13%	51%	26%	6%
	Abroad	2%	25%	39%	27%	7%
support in problem solving	Polish	2%	17%	41%	36%	3%
	Abroad	2%	13%	31%	50%	4%
appreciation of workers' effort	Polish	2%	28%	43%	24%	3%
	Abroad	0%	20%	43%	31%	5%
taking into consideration the workers' competence in tasks division	Polish	2%	15%	53%	25%	5%
	Abroad	3%	24%	42%	26%	4%
motivating workers to perform hard tasks	Polish	6%	17%	48%	25%	3%
	Abroad	6%	16%	49%	25%	4%
inspiring workers to ensure better work quality	Polish	3%	20%	44%	30%	3%
	Abroad	3%	15%	41%	37%	4%

Source: own elaboration on the basis of survey results

The public sector organisations managers' attitudes got very good marks. Respondents find the managers' attitude is positive. They assess that their precision in communicating aims and their respect to workers is especially good. Employers got the worst mark from their workers for the way in which they motivate workers to perform hard tasks and for not taking into consideration the workers' competence in tasks division. Moreover, another poor mark was given to employers for the lack of consistency in

their declarations and behaviours. Research results included in the table show differences in managers' attitudes in Poland and abroad. Managers employed abroad more often support their workers, appreciate their effort in tasks performance and inspire workers to ensure better work quality. It is thus possible to state that managers employed abroad show a more mature attitude towards their workers. In order to verify relations between variables, detailed statistical analyses were carried out, the results of which are included in Table 4.

Table 4 An analysis of relations between variables

	Chi-kwadr.	df	p	Wsp. kon-tyngencji	V Craméra
respect for workers	0,965	4	0,915	0,068	0,069
clear definition of purposes	9,230	4	0,056	0,208	0,212
consistency of declarations and actions	7,157	4	0,128	0,184	0,187
support in problem solving	4,643	4	0,326	0,149	0,150
appreciation of workers' effort	5,069	4	0,280	0,155	0,157
taking into consideration the workers' competence in tasks division	3,349	4	0,501	0,127	0,128
motivating workers to perform hard tasks	0,140	4	0,998	0,026	0,026
inspiring workers to ensure better work quality	1,670	4	0,796	0,090	0,090

Source: own elaboration on the basis of survey results

Results of an analysis by means of the chi-square test did not confirm the statistically important relations between the organisation location and the managers' attitudes. Although there are differences in percentage results got by managers in Poland and abroad, they are not statistically important.

3.Summary

The research results show that managers of public sector organisations adopt attitudes favouring the creation of workers'

organisational engagement. However, it would be good to pay attention to the necessity of improving the workers' motivation to perform hard tasks and taking into account the workers' competence in case of tasks division. A strongly positive reception of the managers' attitude could be even better if they paid more attention to the consistency of their declarations and behaviours. The research showed differences in the managers' attitude in Poland and abroad. However, these differences were not statistically important.

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The perception of Stakeholder' s from protected areas on ecotourism development

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Abstract: Ecotourism is small-scale tourism that visits areas of exceptional natural and cultural interests in a manner that: (1) protects the nature; (2) preserves the culture; (3) enhances the local economy; and (4) educates the tourists. Ecotourism has generated great interest from governments, tourism enterprises, tourists, conservation groups, the private sector and other stakeholders. This interest is generated from more vantage that ecotourism has, it generates profit (company, restaurant, etc...) without destroy the quality of the environment, in fact, it contributes to the conservation and protection of natural ecosystems and the socio-economic development, maintenance and enhancement of the traditions and culture of local people. Ecotourism has disadvantages, too. It is lived on the nature and the use it for realize the ecotourism , but using it that ruin herself.

Key words : Ecotourism, protected area, development, tourism, stakeholder, community local.

JEL Classification: N00, O10, O13, Q00, Q01, Q56 .

Introduction.

What is Ecotourism?

"The concept of ecotourism became popular, especially in the 1970s and 1980s, as a result of the negative social and environmental impacts associated with mass tourism, which places greater emphasis on income and growth, rather than environmental conservation and the socio-cultural goals of host communities (Ziffer, 1989)".

"The term ecotourism emerged in the late 1980s as a direct result of the world's acknowledgment of sustainable and global ecological practices (Diamantis, 1999)". Ceballos-Lascurain (1996) articulated one of the most influential definitions of ecotourism: "traveling to relatively undisturbed or uncontaminated natural areas with the specific objectives of studying, admiring, and enjoying the scenery and its wild plants and animals, as well as any existing cultural manifestations (both past and present) found in these areas." As ecotourism has grown in popularity, its definitions have been expanded to incorporate ideas about ecotourism responsibility, environmentally friendly destination management, and sustainable development of local human populations (Goodwin, 1996 and Torquebiau and Taylor, 2009). Indeed, the last few decades have witnessed a continuous expansion of ecotourism. Ecotourism has been growing at rates of 10%–12% per year, 3 times faster than the tourism industry as a whole (IES, 2008). And more importantly, "ecotourism has been embraced by many developing countries — that are home to many of the world's rare and threatened species — hoping to improve their economies in a way that is environmentally sustainable (Brooks et al., 2006)".

"Literature describing the history of

ecotourism shows that the concept has been in existence since the 18th century, but by a different name (e.g., Beaumont, 1998 and Hetzer, 1965)". Beaumont (1998) classifies the first geographers who toured the world during the period as ecotourism, and indicates that the born of national parks, Yellowstone in the United States of America in 1872 and Banff in Canada in 1885, was evidence of first interest in ecotourism.

There is not according on the exact definition of ecotourism in literature (Weaver & Lawton, 2007), and there is an absence of information on tourist preferences for ecotourism and how it can be operationalized in local communities. "Lack of capacity for business development in the local communities and limited information on possible ecotourism businesses have been identified as problems limiting the potential of ecotourism (Munthali, 2007 and Spenceley et al., 2008) around protected areas in Southern Africa. A study conducted by Mabunda (2004), also indicated that although rural communities adjacent to the Kruger National Park (KNP) in South Africa were interested in sharing their cultural heritage with the tourists, the park management framework did not enable them to do so. Mabunda (2004) also highlights the need for research that investigates tourists' experiences and expectations in and around the KNP".

Honey (1999) defines the concept of ecotourism, , pristine and protected areas with the fundamental objective of educating travelers, as small scale travelling to fragile, providing funds for conservation, yielding direct benefits for the economic development and political empowerment of the local communities, as well as fostering respects for different cultures and human rights.

Fennell (2001), after analyzing available ecotourism definitions, identified five common variables used to describe ecotourism : the natural environment, education, protection or conservation of resources, preservation of culture and community benefits.

According to Hillel (2002), ecotourism should integrate the three objectives of sustainable development, and involve a positive contribution to the conservation of sensitive ecosystems and protected areas ,through financial and political support, as well as ensuring active participation from and economic benefits to local communities and indigenous people, coupled with environmental education of the host communities, professionals and guests.

Literature Review.

The International Ecotourism Society (TIES) provided a simpler definition of ecotourism in 1990 as responsible travel to natural areas, which seeks to conserve the environment and sustain the wellbeing of the local communities (TIES, 2013). This definition by TIES is supported by the World Conservation Union's (IUCN) explanation of ecotourism, adopted from Ceballos-Lascuráin (1996), "which describes ecotourism as environmentally responsible travel and visitation to natural areas, with the purpose of enjoying and appreciating nature and other cultural features, as well as promoting conservation, minimising visitor impact and providing for beneficially active socio-economic involvement of local people (Ceballos-Lascuráin, 1996)".

The concept of ecotourism and its implementation in the tourism industry has raised interest and debates on international

fora such as the 2002 World Ecotourism Summit held in Quebec.

The 2002 World Summit on Sustainable Development held in Johannesburg, and the Global Ecotourism Conference 2007 of Oslo. Although the potential of ecotourism to contribute towards poverty alleviation, biodiversity conservation, and employment creation has been acknowledged (Fennell, 2001 and World Ecotourism Summit, 2002), the challenge remains in finding ways to implement ecotourism in a manner that jointly addresses these issues.

The key principles of ecotourism as laid out in the Quebec Declaration on Ecotourism "(World Ecotourism Summit, 2002) are:

(i) active contribution to cultural and natural heritage;

(ii) inclusion of local and native communities in the planning of ecotourism and a contribution to their well-being;

(iii) visitors are familiarized with the cultural and natural heritage of the places they visit;

(iv) better independent travelers and organized tours of small-sized groups".

It has been discuss that ecotourism has comparative advantage as a driver for rural development because it tends to occur in peripheral and non-industrialized or rural regions, where opportunities for expanding the economy can be realized at a relatively low cost. The involvement of local communities in ecotourism can also improve their attitudes towards conservation. "Controversy exists, however, over the meaning of the concept, its operationalization (Fennell, 2001 and Weaver and Lawton, 2007)" "and its potential to yield socio-economic benefits for rural communities (Isaacs, 2000 and Wunder, 2000)".

Operationalization of ecotourism that promotes the goals of contributing to nature conservation and rural development.

More important that rural communities and managers of protected areas have information on the tourist preferences for ecotourism, for economic potential. From an economic perspective, demand and supply side considerations are very important.

The success of ecotourism pivot on the extent to which local communities are willing and able to be involved, in the planning and implementation of ecotourism projects.

At the same time, the preferences of tourists for specific ecotourism activities and their willingness to pay for the ecotourism goods and services that communities supply are also important.

2. Stakeholders of protected areas.

"Systems thinking is required to bridge the social and biophysical sciences (Allison & Hobbs, 2004)" to help understand, for example, how to link social and ecological systems for sustainability (Berkes & Folke, 1998). Fennell, 2004 and Dredge, 2006 highlight that issues associated with tourism and protected areas are inherently complex, multi-scaled (local, regional, national and global) and involve horizontal as well as vertical linkages. For example, communities, whether local or further afield, are an integral part of the protected area tourism system.

"Management of sustainable tourism relating to protected areas should anticipate system dynamism and transformative changes (Plummer & Fennell, 2009)".

This whole system perspective is being actively pursued in current research on

tourism as a complex adaptive system (Farrell and Twining-Ward, 2005 and Lacitignola et al., 2007). "Such systems, where the social components are explicitly acknowledged (as is the case with tourism), are known as social-ecological systems (SES) (Allison and Hobbs, 2006, Gunderson and Holling, 2002, Schianetz and Kavanagh, 2008 and Walker and Salt, 2006)". Many interacting variables are characteristic of SES, with the systems behaving according to three principles: _order is emergent as opposed to predetermined; _the system's history is irreversible; _and the system's future is unpredictable.

The power of nature and natural settings in attracting tourists is widely recognized, with protected areas offering a significant attraction to tourists (Pedersen, 2002 and Reinius and Fredman, 2007). Increasingly, tourism is one of the most common uses of protected areas. Protected areas are defined as areas of "land and/or sea especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or other effective means (IUCN, 1994, p. 7)". Very often, protected areas and tourism are intertwined and their respective impacts on local communities are difficult to separate.

The sustainability of protected areas is accepted as dependent on due attendance to their social, economic and cultural context.

However, conflicts between protected areas and communities can adversely affect this sustainability. Plummer and Fennell (2009) propose that multi-stakeholder conflict, complexity and uncertainty are issues that remain unresolved and persistent. When problems persist and are not resolved by current interventions they may be classed as

“messy” or “wicked” and require a new paradigm to understand them. Before exploring a new paradigm or way of thinking about and investigating the relationships (and associated impacts) between protected areas, tourism and local communities, it is useful if not essential to review current methods using a “whole system” perspective.

Components of a Protected Area Tourism System.

Protected area tourism systems are generally comprised of three key components: a given protected area, tourism operations and associated communities. Protected areas themselves take several forms. According to official IUCN designation, there are six types of protected areas: strict nature reserves or wilderness areas; national parks; natural monuments; habitat or species management areas; protected land or seascapes; and managed resource protection areas (IUCN, 1994). The primary management objectives of these protected areas differ considerably.

Protected area tourism systems also comprise a tourism component.

Protected area tourism differs from other kinds of tourism in that it occurs in natural settings.

“It fits within the broader undertaking of ‘natural area tourism’, which provides an alternative to traditional mass tourism. Natural area tourism includes adventure, nature-based, wildlife and ecotourism (Newsome, Moore, & Dowling, 2002)”. This paper adopts an inclusive definition of ‘protected area tourism’ to incorporate all tourism activities that occur within protected areas.

Local communities form the final key component of protected area tourism

systems. Local communities include residents living within or in close proximity to a protected area. “Geographical location is an important defining context in determining ‘local community’ (Burns & Sofield, 2001)”. The protected area and associated tourism impacts on local communities both directly and indirectly through its existence and capacity to attract tourists.

Geographical location does not imply uniformity in local attitudes or functional relationship to protected area tourism.

Attitudes, involvement and dependencies of locals on protected areas and tourism are diverse and context-dependent.

Relevant factors affecting local attitudes and relations to tourism include length of residence; employment; degree of economic dependence; socio-cultural and economic distance between tourists and the community; and distance of community from the tourism area.

“Direct economic dependence on tourism has been shown to be the single most important factor affecting perceptions (Andereck, Valentine, Knopf, & Vogt, 2005)”.

The choice of a geographically defined ‘local community’ is supported by the spatially restricted nature of protected area tourism and the assumption that geographically adjacent communities will experience the greatest impacts arising from that area.

“The tourism literature also reveals a predilection for a geographical perspective of community (Beeton, 2006b)” although this should be treated with caution as the boundary is necessarily porous to allow for a range of social, economic and political factors that may impact from scales above and below.

“The involvement of local people in analyzing and understanding protected area

tourism has been noted as crucial as these people are most likely to be affected by policy development (Plummer & Fennell, 2009)". While acknowledging the highly contested nature of 'community', for simplicity this paper adopts the perspective of geographical or local communities.

Importantly, local community comprises just one element of those interested or affected by protected area tourism. A wide-range of potential stakeholders associated with protected areas exist and are also essential parts of the protected area tourism system.

Local community represents one key group of stakeholders.

"Others include those directly affected such as visitors themselves, Park management and tourism authorities, plus those further afield (Newsome et al., 2002)". "These other stakeholders represent 'communities of interest', which are typified by shared interests rather than a defined spatial location (Beeton, 2006a)".

"The management authority for a given protected area varies according to the differing management objectives (Eagles, 2009)". Traditionally, the state or government is the management authority.

This role is diversifying, however, and partnerships are gaining prominence.

Increasingly, the management authority is vested in alternative arrangements involving a range of actors.

Prominent arrangements include parastatal models, non-profit corporations such as non-governmental organizations, public or private for-profit corporations and communities themselves. "Co-management arrangements, where decision-making power is shared between two or more bodies, one of whom is government, is another emerging approach (Eagles, 2009)".

Ecotourism and local communities: conflict, compromise or cooperation?

Local communities comprise groups with different and potentially conflicting interests (NGOs, Community, Government, Tourism Industry).

That is, not all groups want the same things.

The tourist industry asks a healthy business environment with:

- financial security;
- a trained and responsible workforce;
- attractions of sufficient quality to ensure a steady flow of visitors – who stay longer and visit more often;
- a significant return on investment.

Those interested in the natural environment and cultural heritage issues seek:

- protection of the environment through prevention,
- improvement, correction of damage, and restoration;
- to motivate people to be more aware
- and therefore 'care for' rather than 'use up' resources.

Community members seek a healthy place in

which to live with:

- food, adequate and clean water, health care, rewarding work for equitable pay, education and recreation;
- respect for cultural traditions;
- opportunities to make decisions about the future.

Some concerns that each may hold in common include:

- issues of access, such as when, where and how tourists visit and move from place to place;
- host and guest issues, such as cultural impact or common use of infrastructure;

- land use issues, such as hunting/wildlife habitat, agriculture/recreation, preservation/ development, etc.

3.IMPACTS OF TOURISM IN PROTECTED AREAS (BENEFITS, NEGATIVE IMPACTS).

There are a number of reasons why local communities may consider ecotourism:

- a desire to be part of strong growth in tourism generally and see the potential of catering for special-interest tourism (niche markets);
- an awareness of the high value of natural attractions in the locale;
- empathy for conservation ideals and the need for sustainable tourism;
- a desire to responsibly rejuvenate the local tourist industry.

One of the main principles or elements of ecotourism is its ability to maximize the benefits of tourism, not only as regards income to a region but also the preservation of social infrastructure and biosphere conservation.

Specifically, these benefits include:

- increased demand for accommodation houses and food and beverage outlets, and therefore improved viability for new and established hotels, motels, guest houses, farm stays, etc.;
- additional revenue to local retail businesses and other services (e.g. medical, banking, car hire, cottage industries, souvenir shops, tourist attractions);
- increased market for local products (e.g. locally grown produce, artefacts, value-added goods), thereby sustaining traditional customs and practices;

- employment of local labour and expertise (e.g. ecotour guides, retail sales assistants, restaurant table waiting staff);

- source of funding for the protection and enhancement/maintenance of natural attractions and symbols of cultural heritage;

- funding and/or volunteers for field work associated with wildlife research and archaeological studies;

- heightened community awareness of the value of local/indigenous culture and the natural environment.

As these benefits suggest, ecotourism is about attracting visitors for the 'right' reasons, and not s the 'tourist dollar' at the expense of a community's natural and cultural attributes. However, local communities are not immune from ecotourism impacts.

The issues and problems.

The conflictual issues expressed by representatives of host communities to tourism development generally fall into a number of interrelated categories:

- the lack of opportunities for involvement in decision-making relating to ecotourism;

- inadequate responses from governments when administrative or legislative mechanisms have been established to involve them in such decision-making;

- the lack of financial, social and vocational benefits flowing to these communities from projects that commercially exploit what they regard as their resources;

- the need to establish better tools for evaluating socio-cultural impacts and ensuring this is completed over the more emphasized environmental impacts on the natural environments which are usually of more

interest to the outside investors and conservation groups;

- impacts on community cohesion and Structure

- the rapidity of tourism development that in many cases significantly accelerates social change.

These concerns embrace a wide range of issues relating to the management of natural resources adjacent to these communities. The central issue is the inadequate levels of participation perceived by these communities in the management of what they regard as their traditional domains.

Control is exerted over local communities both economically and culturally. Tourism involves an interactive process between host (both human and environment) and guest and therefore 'the culture of the host society is as much at risk from various forms of tourism as physical environments'.

In many cases tourists view indigenous cultures and local communities as 'products' of the tourism experience that exist to be 'consumed' along with all the other elements of their trip.

As tourists are often paying to watch and photograph indigenous people, the tourists feel that it is their 'right' to treat them accordingly _as providing a service, and as a product being purchased as a component of their travel cost.

Significantly, however, many local cultures may actively 'construct' what appears (to the tourist's camera) to be an 'authentic' cultural display but which in reality is a staged event specifically for tourists' consumption.

This phenomenon, known as 'staged authenticity' (cf. Mac Cannell, 1976), in many cases serves a strategic purpose in

satisfying the tourist's curiosity while allowing the maintenance of actual cultural rituals to escape the hungry tourist's lens. This is the positive side (from the indigenous culture's perspective) of the commodification of tourism, as in many cases it is the interest in local cultures that in many ways helps to sustain and even revive traditional cultural practices.

However, the commodification of culture often has significant impacts on local communities.

'Staged authenticity' is often actively encouraged by operators whose chief concern is often with providing a 'cultural experience for tourists that can be experienced in comfort and safety and which is aesthetically pleasing.

These cultural performances often become detached from their actual cultural meaning and begin to be performed purely for the viewing public. Too often cultural attractions become overtly commercialized in nature, satisfying the visitors' needs but losing all meaning and significance for the indigenous population. Similarly, indigenous communities often have little or no say over whether they want tourism and they derive few real benefits from their 'performance'. Sustaining the well-being and the cultural traditions of the local community where ecotourism takes place becomes fundamental to definitions of ecotourism

Ecotourism is in large part a sustainable development strategy:

"whereby natural resource amenities, the local community and the visitor benefit from tourism activity (Pearce et al., 1996)".

The following definition of ecotourism incorporates the above points: travel, often to developing countries, to relatively undisturbed protected natural areas for study,

enjoyment or volunteer assistance that concerns itself with the flora, fauna, geology and ecosystems of an area – as well as the people (caretakers) who live nearby, their needs, their culture and their relationship with the land.

Similarly, many organizations are now beginning to recognize the integral part that local indigenous people play in tourism by including cultural understanding and appreciation in their definitions of ecotourism. "In this way ecologically sustainable tourism is increasingly becoming aligned to conservation, environmental and cultural understanding and appreciation (EAA, 1996)".

Thus ecotourism aims to promote and foster a respect and an increase in awareness of other cultures, in fostering mutually beneficial relationships between hosts and tourists.

While it is important for the traditional values of local and indigenous communities be maintained, indigenous people must not be asked to maintain their traditional practices simply for the sake of tourist entertainment. However, it must also be recognized that cultures undergo a constant process of change and it is this process of genuine culture change and exchange that is a fundamental component of ecotourism. 'Genuine' in this sense may be read as synonymous with sovereignty. Local communities must be in an empowered rather than a subordinate position from which they have autonomy over their culture, its artefacts and rituals, its very direction, while engaging in and with cultures that interact with them but do not exploit them.

In this way, both the visitors and the hosts benefit from the tourism experience while at the same time avoiding negative

cultural impacts on the indigenous population. Participation of local communities in the activity of tourism, therefore, is an essential element to sustaining the wellbeing of local people.

Through the interactive process between the visitor and the host population both can benefit experientially from ecotourism. By developing an appreciation of local communities and their customs and traditions, 'a process of mutual respect and understanding between societies can be greatly enhanced' (Burchett, 1992: 10) and the achievement of successful interaction between hosts and guests will only benefit and sustain the well-being of local communities. Local communities can benefit from ecotourism economically if they play a greater participatory role in the tourism process. The greater the control over tourism in their region, the more culturally sustainable they will become.

Employment.

One of the most obvious and immediate benefits of tourism associated with local communities is the increase in employment opportunities and income generation for the host region:

- direct employment (associated service industries such as hotels, restaurants, concessions);
- indirect employment (generated as a result of increasing industry inputs such as employment at a retail souvenir outlet);
- induced employment (generated as a result of increased spending capacity of local residents due to increased receipts from tourism; consumption of goods for example) (Healy, 1989: 21).

The theoretical research regarding the stakeholders' perception on ecotourism development.

Jessica Coria, Enrique Calfucura in the article "Ecotourism and the development of indigenous communities: The good, the bad, and the ugly", they analyzed the connection between the factors regarding the advantages and disadvantages of ecotourism experience in indigenous communities. They stress the need for a better approach to enhance the indigenous communities' livelihood possibilities coming from ecotourism, as well as to promote land tenure and communities' empowerment.

Heng Zhang, Siu Lai Lei in the article "A structural model of residents' intention to participate in ecotourism: The case of a wetland community", analysis indicates residents' environmental knowledge positively affects attitudes towards ecotourism, which in turn directly and indirectly determine the intention to participate in ecotourism through their individual landscape affinity. Thus, residents' involvement in ecotourism may be stimulated through a) appropriate management strategies aimed at increasing their environmental knowledge, b) encouraging positive ecotourism attitudes, and c) environmental planning that promotes residents' affinity for local attractions.

P. Chaminuka, R.A. Groeneveld, A.O. Selomane, E.C. van Ierland, in the article "Tourist preferences for ecotourism in rural communities adjacent to Kruger National Park: A choice experiment approach", analyzed the potential for development of ecotourism in rural communities adjacent to Kruger National Park (KNP) in South Africa. They determine preferences of tourists,

according to origin and income levels, for ecotourism and their marginal willingness to pay (MWTP) for three ecotourism attributes: village accommodation, village tours and visits to crafts markets.

Jennifer K. Strickland-Munro, Helen E. Allison, Susan A. Moore, in the article "Using resilience concepts to investigate the impacts of protected area tourism on communities", research in systems thinking and resilience suggest that future conditions may be different, more extreme and rapidly changing than previously experienced, requiring very different approaches to assessment. New methods acknowledging uncertainty and change are required. They present a novel approach to investigating the impacts of protected area tourism on communities by framing them as a social-ecological system and adopting resilience assessment principles.

Dohar Bob M. Situmorang, Isti Raafaldini Mirzanti in the article "Social Entrepreneurship to Develop Ecotourism" research is based on the Ecotourism offers a form of travel different from mass tourism. A study was conducted to find appropriate approaches for developing ecotourism. The main focus is given to the potential of a regional ecotourism, including human, culture, and supporting resources. Research was also conducted to determine the perspectives of tourists, because their needs' fulfilment cannot be separated from sustainability of destination.

Stephen Wearing, John Neil in the article "Ecotourism: Impact, Potential and Possibilities, Chapter 6: Linking conservation and communities: Community and Benefit and Social" They analyzed advantages and disadvantages generated by development of Ecotourism and analyzed relationship

between Ecotourism and Community Local.

Patrick Brandful Cobbinah in the article "Contextualizing the Meaning of Economics" they analyzed despite this lack of clarity on the true meaning of Ecotourism, there is a broad set of ecotourism principles that are clear and widely promoted, including environmental conservation and education, cultural preservation and experience, and economic benefits.

CONCLUSIONS.

Tourism is one of the major global industries. Tourist attractions are currently becoming more diverse and new alternative types of tourism to mass tourism are emerging. These alternative kinds of tourism both help to conserve the environment and boost the socioeconomic development of local communities.

Ecotourism is an example of one of these new types of alternative tourism.

However, in order to develop it, policies, strategies, processes and even a unique business culture must be established, which will make it possible to create procedures and solutions to changes that occur in the surroundings.

A destination must inform all its stakeholders as to what is happening, considering that if information flows freely and everyone collaborates with each other, the results achieved for the destination may be greater.

The term stakeholder must include all those players that are affected or may be affected by ecotourism activities in the destination, namely Governments, the local population, companies, administrators of protected areas, NGOs, etc.

Among these stakeholders, special attention must be paid to local communities.

This group, which is part of the local population, must be made part of ecotourism planning, given that this activity may improve the local population's standard of living, especially in under-developed countries, where this could help to reduce the poverty rate.

If all those local stakeholders are not taken into account when setting up ecotourism in a destination, it could have many a negative impact on the location, arising from social, environmental or political problems. In particular, the local community and NGOs are currently positioning themselves as groups with particular influence in certain countries, and excluding them from territorial planning could have many adverse consequences in the destination in question.

Therefore, when it comes to developing ecotourism in a location, it is essential to take into account the idea that planning must be conducted in coordination and with the collaboration of all the agents that can affect or may be affected by this economic activity, putting particular emphasis on local communities, since they should be the first to benefit from ecotourism through the creation of new companies and new jobs, which will help to increase the local population's living standards at all times.

In conclusion, in order to achieve sustainable development in a location through ecotourism, all stakeholders must work together in a coordinated manner and in search of common benefits for the destination, with the aim of enhancing the socioeconomic development of the area's population and promoting the conservation of natural resources, in order that they may be used by future generations.

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Risk Management and Risk Psychology in Romanian Sme's

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Abstract: Risk is one of the biggest and most fascinating challenges of all times for humanity, because of its presence in all fields. Risk management as a component of modern management, has become a main concern for the modern world and one of the "key mechanisms" of economic development, a complex process that includes a series of activities meant to alleviate the impact of risk over business and planed or foreseen results. This paper wants to bring to attention the importance of risks and their management in today's economic crisis. The sector presented is the IT& C, especially software, because Romania had a growth in this area for a few years but beginning the crisis this segment in economy had known a serious decrease. This paper tries to connect risk management and risk psychology to Romanian economy, culture and mentality. The paper presents in short some of risk management characteristics, definitions and few opinions; why in Romania this subject is not treated with the appropriate attention. The paper at hand focuses on the psychology of risk and how it affects the life of individuals and the existence of companies, the importance it should have on day to day basis, especially in Romania.

Key words: risk management, risk psychology, IT industry, SME's (small and medium enterprises), emerging market, and global crisis.

JEL Classification: M16, M21, G32

1. Introduction

In the context of market expansion and consequences deriving from this process, there is a need for identifying specific elements of business risk that affect organizations and therefor economies.

Risk is inherent for every process and system. Whatever the mission, vision, goal, objectives, values or standards, risk and managing risk, is inevitable for analysis and implementation. Risk is an essential part in one's life. Individuals take chances whenever they travel the unknown, whenever life surprises you, giving you an unexpected situation.

Without knowing, one decision can affect your life, and as a consequence will create ripples, like an earthquake, that can lead to a positive or a negative situation. Therefore, no action, individual and no human action exists without risk. Because the manifestation of risk can lead to bankruptcy we have to define a safety instrument against risk to help the firm carry on with its objectives. This safety instrument is called risk management and it includes prevention and minimization of events that can affect the firms' activity, as well as identifying, evaluating and quantifying risks. Risk management increases the possibility of success and decreases the probability of failure, and also, decreases the uncertainty to not achieve the organization objectives.

Risk management should be a main component in organizational culture, with an efficient policy and a programme run by a team of experienced managers. The strategy should be translated into tactical and operational objectives to be shared with each and every manager and employee responsible with risk management, in order to sustain

responsibility, performance and reward by promoting operational efficiency at every level. Risk and risk psychology go hand in hand, or at least they should be, from our point of view, because they both are based on perception. Risk is the consequence of uncertainty that can be quantified by impact and probability which typically has a negative response from managers. That is why the existence of a correlation between risk management and risk psychology ought to be a "must".

2. Meaning of risk management

The current economic conditions generated the need for an international standard on risk management. This was completed with a guide of terms and definitions that insure the use of a unique terminology regarding risk. Following, these were united by a standard that addresses risk evaluating techniques. Together, these standards supply organizations with a set of instruments to address situations that can affect reaching their objectives.

Therefore, ISO/CEI 31010:2009, Risk management – Risk evaluating techniques, was developed by both, ISO (International Organization for Standardization) and IEC (International Electro technical Commission) and it represents a supportive standard for ISO 31 000.

Current studies dedicated to risks highlight the fact that, unlike the more traditional approaches based on how to counter attack risk, modern theories focus on predictions, simulations, making the transition from "reacting and counteracting" to "acting and preventing".

Risk management focuses on identifying and treating efficiently risks, the main

objective being added value to all activities of the company [1]. For an enterprise, for example, we must consider the effects of the real estate crisis, oil price, the impact of economic growth on the short and long term in India and China [2]. The International Organization for Standardization (ISO/IEC Guide 73), in Standards for Risk Management (Institute of Risk Management, 2002), defines risk as a combination of probabilities for an event to occur and its consequences, risk management focusing on the positive and negative side of risk. The International Federation of Accounting (1999, IFAC) published a study: The wealth of a stockholder through a better risk organization. The Romanian dictionary defines risk as „the possibility to be in danger, to have to deal with trouble or to have a loss” [3].

According to the Latin definition, risk refers not only to the chance of loss but also winning. Still, risk tends to be used daily with negative connotations, the danger of a loss. Literature defines risk as the threat of an action or event to affect the ability of an organization to achieve its objectives and to execute its strategies [4]. In 1921, Frank Knight published the book: Risk, Uncertainty and Profit; according to him, risk represents the uncertainty of the future but the possibility to estimate probabilities, while uncertainty represents the fact that you don't know the probabilities. Research for risk began through a series of publications, like: Risk society[5] (Beck, 1986, translated in Romanian in 1992), Risk[6] (Adams, 1995), Against the odds[7] (Bernstein, 1998), and the recent publication, Organized uncertainty[8] (Power, 2007).

IFAC report, 1999, defined risk as future events that influence strategic, operational and financial objectives of the organization.

This report translated the negative concept of risk into a positive concept that presented management of risk as an integral part that generates sustained value for stocks [9].

Risk is being defined as uncertainty of a result with a positive outcome or a threat, of actions or events that must be managed by combining the possibility that something may happen and the impact that this event could have if it happened.[10]. The purpose of risk management is to increase the value of the company. If it is understood, designed and implemented, risk management may possibly be the perfect framework for decision makers everywhere [9]. The existence [9] of an efficient risk management framework in a company leads to:

- increase capital efficiency by setting an objective for resource allocation;
- reducing allocated expenditure and exploiting the advantages of natural resources;
- support decision making by identifying areas with potential adverse impacts;
- identifying and exploiting decisions that present economic advantages;
- building investor confidence by establishing a process to normalize accounting results by protecting them from external influences and by demonstrating a proactive system health at risk.

3. Evolution of risk management

In recent years a new concept has emerged: enterprise risk management (ERM), which is based on the idea that risks should be looked at holistically across the enterprise, as well as managed in silos, and that the conclusions reached should influence corporate strategy and business development process.

Although many businesses round the world have now embraced this new concept, surveys have shown that many of them are finding implementation difficult [10].

The evolution of risk management is tied to the concept safety engineering, developed in the 60's that assumes a stronger relationship between engineers and risk managers that are part of developing projects [11]. Companies can avoid risk but it involves conducting operations in markets that are not at risk. In an open economy, this risk hedging opportunity is unlikely, because companies can avoid direct risk exposure through business relationship but they are inevitably exposed to risk. Risk management, applied formally appeared in the 20th century, Henry Fayol being one of the founders of this specific field of managing business [11].

Starting with the idea of Romanian economic evolution in the context of market expansion and the consequences that arise from this process we need to identify elements specific to risk and the way it affects organizations and economies. Although, the scientific importance of risk management is under evaluated by both Romanian PhDs and managers, there are specific business opportunities that could be exploited by adapting to requirements of business globalization and firms internationalisation. The lack of information, difficulties in research represent the main cause for an underdeveloped risk management Identifying risk is the basis for the development of risk management and its control. Still, practice has shown that there are many difficulties because risks are most of the time, overlooked or ignored. Individual risks is less problematic, the difficulties appear between their relations, affecting the business on many levels.

The level of risk manifestation is directly linked to the probability in which it is achieved; therefor risk is classified according to the gravity and probability of achievement of the events.

In business, risk is different from risk in general because business risk is tied to earnings or profit. Managing risk is necessary to reduce accidents, but we mustn't avoid completely unless it cannot be controlled or supervised.

The level of reluctance of the decision maker towards risk causes an action Vis a Vis accepting the risks linked to and determined by the firms activity, as well as his reaction to not accept certain risks because it might cause the firm some loses.

Disparities between scientists theories are mostly documented, because the level of risk taking is considered to be linked to the personality of an individual, the attitude and perception of risk is dependent upon variables, such as: feelings, the way reality is presented, humour, etc.. Most of mankind achievements have been tied to risk manifestation by inventors and explorers. Business risk implies a series of internal economic factors linked to financial reports, decision making, structure and process of a company, communication, material and human resources, attention towards consumers, legislation and environment [12].

4. Risk psychology

Most of modern theories on decisional theory start from the idea of general aversion towards risk of people, no matter what their jobs are, human beings choosing through their nature certainty of a result against an option without certainty that may lead

towards the same outcome [13]. Researching risk psychology is necessary because in management and especially in risk management the element of decision is present in a decisive ratio. Decision making for an individual, especially for a manager, depends on his personality, thus we need a psychological approach. Personality is a relative set of psychological characteristics that influence the way we interact with our environment. Modern theories show that personality has 5 distinct dimensions [9]:

1. Extroversion – the degree to which someone is sociable as opposed to someone who is shy. Extroverts feel good in social situations while introverts avoid.

2. Emotional stability – is the extent to which a person has an appropriate level of emotional control. People with good emotional stability are highly self-confident and have a strong consideration in relation to them. Those with a low emotional stability tend to self-doubt or are depressed. In crisis situations, especially in risk management a good emotional stability is essential.

3. The degree of approval - the extent to which a person is friendly and approachable. People who are more approachable are warm and caring. People less agreeable tend to be cold and distant.

4. Diligence - the degree to which a person is responsible and oriented towards achievements. They are people of hope and positive motivation. Less conscientious people are less open and are very unreliable.

5. Opening to new - the extent to which a person thinks is flexible and receptive to new ideas. People tend to be more open to creativity and innovation.

Assuming managerial decisions in conditions of risk in terms of the behaviour

patterns of decision-makers constituted the subject of several prestigious researchers such as H.A. Simon [14], with its concept of limited rationality and L.Festinger [15] the promoter of theories for organizational behaviour. Risk perception by the public is influenced by emotions. The social perception is based on observed data and the knowledge we have about people who belong to that group. There are four images of risk occurring in the public [16]:

A. The impending danger ("the sword of Damocles")

Risk is considered a threat which can strike at any time and cause a disaster the risk source is artificial. The danger lies in the impossibility of predicting the accident (Example: public perception that nuclear power plants can cause disasters at every moment).

B. Invisible Risk ("Pandora's Box - SLOW KILLERS")

Risk is an invisible threat to public health and welfare. Delayed effects are unlikely and catastrophic. The public has no access to information it depends on extreme sources. The credibility of the source of information is crucial. Minor risk, but the tendency to blame those involved is strong (Example: preservatives, food additives, vegetables subjected her genetic engineering).

C. Cost-benefit ratio ("Athena's Balance")

The public perceives a risk as the difference between wins and losses. The perception of risk is limited to financial gains or losses. In these situations works probabilistic thinking (Example: gambling).

D. Voluntary Risk ("THE MYTH OF HERCULES")

The risk is desired and actively exploited, exposure to risk is voluntary. There is a

perception that the subject can control the risk by using its skill. The consequences are not catastrophic (Example: sports more or less extreme).

The cultural theory of risk (with capital letters; not to be confused with culture theory), consists of a conceptual framework and an associated body of empirical studies that seek to explain societal conflict over risk, while other theories of risk perception stress economic and cognitive influences. Cultural Theory asserts that structures of social organization grant individuals with perceptions that reinforce those structures in competition against alternative ones. Cultural Theory of risk is based on the work of anthropologist Mary Douglas and political scientist Aaron Wildavsky first published in 1982, they outline four “ways of life” in a grid/group arrangement [17]. Each way of life corresponds to a specific social structure and a particular view on risk. This framework categorizes the degree to which people are controlled and confined to their social role. The tighter binding of social constraints limits individual negotiation, and group refers to the extent to which individuals are bounded by feelings of belonging or solidarity. The four ways of life include: Hierarchical, Individualist, Egalitarian, and Fatalist.

But, risk perception researchers have not yet accepted this version of cultural theory. Even Douglas says that the theory is controversial; it creates the danger of moving out of the favoured paradigm of individual rational choice of which many researchers are comfortable. Research also has found that, whereas risk and benefit tend to be positively correlated across hazardous activities in the world, they are negatively correlated in people’s minds and judgements [18].

5. The landscape of Romanian SME’s IT industry

Risk management in software engineering is related to the various future harms that could be possible on the software due to some minor or non-noticeable mistakes in software development project or process [19].

Romania is one of the most interesting markets in Europe for technology investment and trade, as well as a recognized partner for some of the world’s most demanding customers in IT services outsourcing, call centre support and product development (an example is the company that developed Bit defender)[11].

Annual average inflation declined from 3.2% in 2013 to 1.4% in 2014 mainly reflecting a VAT cut for bread, a good harvest and lower global energy prices. It is forecast to remain at moderate levels and to reach an annual average of 1.2% in 2015, mainly due to the significant decline in energy prices, subdued inflation in the EU and lower inflation expectations; in 2016, inflation is forecast to accelerate to 2.5% as the recovery in domestic demand continues [20].

After the Romanian integration in the European Union and considering the consequences of the economic global crisis, the whole picture of small and medium enterprises (SME’s) shows a great deal of vulnerabilities especially for SME’s in Romania that are not properly prepared to compete on the European market [11].

Romania’s labour market has been remarkably stable over the last few years, with employment and unemployment rates hovering around constant levels. Domestic employment in the private sector is expected to improve slightly against a slowly declining working-age population, accompanied by a drop in the unemployment rate over the forecast horizon, to 6.8% in 2016[20].

Major macroeconomic indicators in Romania [(f) =forecast]

	2012	2013	2014	2015(f)
GDP growth (%)	0.7	3.5	2.5	3.2
Inflation (yearly average) (%)	3.4	3.2	1.1	0.3
Budget balance (% GDP)*	-3.0	-2.2	-1.5	-2.5
Current account balance (% GDP)	-4.7	-1.4	-0.5	-1.6
Public debt (% GDP)	37.3	37.9	39	39

Source: <http://www.coface.ro/Studii-economice/Romania>

Romania's economy is dominated by small and medium-sized enterprises and has proportionally fewer micro-firms than the EU on the whole. Despite an increase in the number of business start-ups in recent years, the impact of micro-firms on the economy is still lower than average, providing about 23 % of private sector employment and only 13 % of economic added value. The manufacturing sector is very important for SMEs, accounting for a proportion of employment 30 % higher than the EU average. SMEs in the service sector dominate the economy far less. They focus on less knowledge-intensive activities such as retail and wholesale trade, food services and accommodation, travel agencies, rental and leasing services, land transport and courier services. The economic crisis has badly affected the business sector. SMEs in particular were badly affected, with real GDP decreasing sharply during the crisis (-6.6 %) and post-crisis recovery setting in late, with modest growth of 2.2 % in 2011 and 0.7 % in 2012[21]. However, growth picked up to 3.5 % in 2013, the highest rate of economic growth in the last five years. In general, large enterprises appear to recover from the crisis much faster than SMEs. This is because Romanian SMEs are less competitive, less

innovative and have a weaker technological base than their larger counterparts. Romania had a 'catching up' profile in 2013, with most areas scoring below average, but some progress in the past few years. Romania performs above average only in entrepreneurship, albeit by a large margin. The lack of innovation and a shortage of specialised skilled labour are the main obstacles to the business sector's competitiveness. Poor administrative capacity continues to hamper the growth of business.

Between January First and November 30th 2013, 56 722 companies were registered compared to 57 589 in the same period of the previous year, registering a slight decrease of 1.51%. At the same time the number of active enterprises has registered an increase of 8% in the first 11 months of 2013 compared to the annual average of 2009-2012, which means an accentuated rhythm of recovery in the SME's sector of Romania. In Romania, the turnover of SME's in 2011 was 4.1% down 1% compared to the previous year. The percentage of each sector in IT, in 2011, is divided as follows: Telecommunication 24.8% from Software and IT, 28% belonging to Hardware sub sector, total turnover being 47.2%.

Political factors, both nationally and on

a regional level, see business inception as a tool to promote economic development, innovation and a stimuli for firms with growth potential, based on new technologies.

Romania has registered a slight increase in SMEs number, for smaller enterprises it was a 10% growth and for small enterprises only 2%; this happened because of the dissolution of a large number of micro enterprises.

By 2013 at EU level, SMEs had recovered to pre-crisis levels only in terms of value added, while employment in 2013 was still 2.6% below levels registered in 2008. In 2013, for SMEs in the non-financial business sector, value added increased by 1.1%, while employment decreased by 0.5% and the number of enterprises decreased by 0.9% [21].

In 2015, Romania is number 17 in UE28 regarding total added value and is on the last position regarding density of SME's

in European Community. In the European landscape, the role of Romanian SME's is a minor one considering the above mentioned positions. Still, Romania has obtained the 8th position in UE28 regarding the number of employees. The percentage of microenterprises in Romania in the SME's total is with 88% lower than the average UE28 of 92%, while percentage of small enterprises is more consistent than EU, 10.4% compared to 6.4%. As main activity, commerce is the dominant of SME's in Romania, almost 40% of total, while EU has 28%. 2014 signalled the orientation of Romanian entrepreneurs to IT and education at the expense of agriculture.

Among non-financial sectors, the most popular sectors for Romanian start-ups in 2014 were education, 18.8% more registrations, information and communications, with 8.94%, and wholesale and retail 5, 38%.

Table no.1. Evolution of SME's 2008-2015

Employees		2008	2009	2010	2011	2012	2013	2014	2015
IT	0-9	18 349	18 048	16 119	14 694	15 156	15 951	16 475	16 995
	10-49	1 319	1 283	1 261	1 300	1 251	1 278	1 323	1 368
	50-249	272	257	245	266	261	267	275	282
	250+	59	50	53	57	57	59	61	62
	Total	20 049	19 638	17 678	16 317	16 724	17 554	18 134	18 708
	A 1 1 SME's	19 990	19 588	17 625	16 260	16 668	17 496	18 073	18 645

Source: Annual report on SME's 2014/ec.europa.eu

As you can see above, in Table no.1.(Evolution of SME's 2008-2015), from 2008 the number of SME's has dropped consistently from 19. 990 to 16. 260 in 2011, but in 2015 their number increased slowly but steady to approximately 3.06%, 18. 645 SME's.

Table no.2 Number of people employed in SME's

J: Information and communication	0 - 9	34.939	33.609	30.712	29.566	31.408	33.617	34.788	35.949
	10 - 49	27.020	25.380	25.120	26.281	26.053	27.052	28.060	29.061
	50 - 249	27.090	26.149	25.379	27.188	27.423	28.548	29.423	30.286
	250 +	61.916	55.114	53.083	55.969	57.592	60.328	62.215	64.079
	Total	150.965	140.252	134.294	139.004	142.475	149.545	154.486	159.376
	All SMEs	89.049	85.138	81.211	83.035	84.884	89.217	92.271	95.296

Source: Annual report on SME's 2014/ec.europa.eu

Although the number of employees began to decrease slowly from 89 049, in 2008, to 84 884, in 2012, the number in 2015 is higher than 2008, 95 296 employees represents an increase of 3.17% (Table no. 2, Number of people employed in SME's).

IT is among top 5 sectors that are working in Romania, among:

- Health and social care;
- Other personal service activities;
- Other services rendered to enterprises;
- Financial intermediation.

6. Conclusions

Integrating risk management into the business planning process is an important component of enterprise risk management and ensures that the organization is able to take advantage of emerging opportunities while also being able to deal when something goes wrong. The focus on risk and strategy is that enterprise risk management is primarily concerned with the failure to achieve business objectives. Thus, integrating risk management with strategy leads to a focus on the "performance" rather than "conformance" aspect of risk.

Strategic planning and risk management should not be distinct activities. Strategies to manage risks and enhance opportunities should be incorporated into strategic plans and should be kept up-to-date. Both strategic and risk management plans will support specific projects and actions that provide the basis to take advantage of opportunities.

Managers should adopt a reactive management style, which means it is imperative to conceive and implement susceptible measures to alleviate risk manifestation. An

oriented reaction towards the future allows the company to surpass past risks, thus increasing the odds for achieving their objectives.

Risk management facilitates the efficient and effective achievement of objectives for the company. Obviously, knowing the threats allows a classification of them depending on the possibility of manifesting, on the impact over the objectives and costs that appear when we use measures in order to reduce risks or to limit their negative effects.

The Doing Business Index issued by the World Bank (www.doingbusiness.org) expresses the ease of doing business in a particular country; this ranking places Romania on the 48th position in 2015 with Germany and Austria on the 14th and 21st position, respectively.

This index consists of ten different sub-indexes that determine whether laws or other regulations exist in certain areas and whether or how they are applied. For example, the subcategories deal with the payment of taxes, hiring of staff and the founding and closing of companies.

In the International Corruption Perceptions Index 2014 Romania was placed on the 69th position, while Germany was 12th and Austria 23rd.

The Corruption Perceptions Index is issued by Transparency International, and lists countries according to the perceived level of public sector corruption. This perception is based on surveys of managers and experts, and related solely to the public sector.

A risk assessment of Romania would look like in Table no. 3 (Weakness and strengths of Romania), below:

Table no.3 - Weakness and strengths of Romania

Weakness	Strengths
Shrinking population	Large domestic market
Failings in administration and justice	Sizeable agricultural potential
Large scale grey economy	Oil and gas production
Weak transport infrastructure	Diversified manufacturing base (automobile, etc.)
Issue with integration of Hungarian, Roma minorities	Stability of the leu against the euro
Education and mentality	Member of the EU and NATO

Source: COUNTRY ESSENTIALS ROMANIA, summer 2015

The main problem in the evolution and progress of Romania, and of course its businesses, is the „conservative” mentality. Because as we stated before, every individual has a different character and personality Romanians have a tendency to avoid risk or be in the other extreme, to completely embrace it. In literature the level of risk taking depends on: feelings, the way reality is presented, humour, but most of all from our point of view what holds Romania back is the reality of our society, the negative mentality that we embrace and promote to our children. As individuals we make decisions every day, based on our state of mind or based on feelings at that time. The level of

aversion to risk is determined, in our opinion, by education, moral principles and mentality. The communism heritage left us with doubts, but 25 years later, even though we embrace technology and information we are the same weakened country. The way we react to risk is the same way we live our lives, with fear of the unknown, because humanity has always had a fear for the unknown. Managers take decisions based on the level of education they had, but most of all based on their personality types and the perception they have on risk. Even though a European Union member, Romania still has a long way to go, from an economic point of view and from a cultural one as well.

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The management of macro-financial information in the context of monetary and budgetary policies

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Abstract: Management of financial policies is a public issue and important to public policies in general and for the financial field in particular. Managing information which compose the sets of financial policies and the information generated by the application in reality of financial policies is an important component of management in the financial sector. The design of specific procedures on sub-domains of the financial sector is influenced by the level of optimization of strategic decisions in the financial field. The combination of direct control measures, regulations, from top to bottom with indirect measures influencing financial environment and the behaviour of those targeted in their quality of taxpayers or consumers is necessary but insufficient to ensure the operation of financial mechanisms. To ensure proper functionality of the budgetary and monetary mechanisms such decisional measures require a scientific substantiation in the context of interdependence of our economy and society to the European Community.

Key words: information, financial policy, monetary policy, budgetary execution, budget fund, financial crisis

JEL Classification:E5, E6, H6

1. Defining the scope of study

The financial field is an important component of modern societies, even for the simple fact that the existence and functionality of mechanisms underlying it are necessary for the state operation as a sovereign person of public law with well defined and delineated functions in the society.

In terms of our approach, that of managing information as purpose or rule imposed by the official public policy, the financial field should be viewed from two points of view, namely from the theoretical, abstract point of view, of the economic content of the multitude of financial transactions which take place in the society and secondly from the point of view of the mechanisms, procedures specific to the field in a given organizational setting, bounded by jurisdictional regulations in the field.

The theoretical, abstract part of the financial phenomenon is manifested by disclosure of the essence of finances as social-economic monetary relations in the form of financial flows, a diverse multitude of financial flows. The orientation of financial flows toward the well-defined goal by the proposed objective or by the official policy in the field constitutes the purpose of our study in the context of managing the financial information derived either from specific studies or as is required by legislation.

The other part of the financial sector, the pragmatic, procedural one, delineates the organizational framework in which the financial flows take place and manifests itself through specific procedures, budgetary, fiscal, credit, currency procedures, etc., procedures which are established by legal laws on sub-domains that are put into operation with the help of specific financial instruments,

monetary, fiscal, budgetary instruments, credit instruments, etc. Their use in a given context is also the subject of this study.

The good orientation of financial flows and the operation level of financial procedures can be studied through the management of the information disseminated or received through the chain as object or thought within the managerial mode. Efficiency of the outcome will be quantified by means of the degree of achievement of the goal, by budgetary execution, by lending, by collection of taxes and overall by the level of situation and stability of the financial phenomenon.

The combination of the two components, abstract and procedural within a financial policy, especially from the limitation of our study to a part of it, the fiscal and monetary policy represents a criterion, a condition for the successful conclusion of public policies. This means that the financial system and the financial mechanism that includes industry-specific procedures must combine properly in an optimum financial policy.

2. The ability of the financial system to respond to stimulating or restrictive information

The multitude and diversity of financial flows requires grouping them according to certain criteria. Research literature gives us among others the cybernetics, systemic vision on the finances structures and particularly on the budgetary relations, namely, they are systemically grouped in a multitude of financial funds and lots of relationships between them, namely financial flows. The financial system as an ensemble of funds and relations between them runs in the society

at a time according to the official financial policy.

The number of funds, their importance and the crowd of flows that can carry between them are also in accordance to the official policy in the field. We know that our financial system has held at the top of budgetary pyramid, the central budget fund along with the social insurance budget, the budget for social health insurance, the unemployment budget, funds that form the state budget. Also within the various ministries the so-called special funds fed by contributions for special purposes are administered.

The intermediate level consists of the budgets of administrative-territorial units under the name of local budgets, and at the bottom of the hierarchical pyramid are the funds of public institutions and of the undertakings with public capital.

Such a three hierarchical level structure is established by legal laws specific to the European model domain of the national unitary states. The organization of financial flows especially budgetary and monetary is also achieved through a multitude of laws specific to each sub-domain. The type of financial flows and ways of carrying them out mirror financial policy concept mirrors. An example of the understanding and organization of financial flows and circulation of information in the system is the form of organization of the central budget as "state budget." This name under the form of a phrase reflects in fact a budgetary management namely, central funds, the state budget, social security budget, health social insurance budget and the budget for unemployment fund, which are managed as a single and large budget fund, both in terms of execution which is performed by the public treasury,

and in terms of compensation of the results of implementation of these funds.

This "joint" administration of these funds raises at least two issues of design and use of information. At European level, social budgets are managed autonomously with known results in terms of respecting the ownership of members of social pension, health and unemployment insurance on members' contributions. We also tried in our country such a reform in 1999-2002, after which they returned to the concept of the state budget, a concept which ensures to the executive a greater leeway in terms of managing the results of implementation of these funds. Another cause is the inadequate official distribution of the tax burden between income taxation and social security contributions, including those for health and unemployment.

Such use of conceptual information, and of budgetary execution envisages an overall treatment of the funds raised by fiscal and social levying, without taking into account the type of resource, namely the proceeds of the tax are public money, while those from social contributions are "semi-public money", they are contributions of the social, health, unemployment security members and they expect a fruition of these amounts and hope that the principle of solidarity between generations to work in the future, at least in the coming decades.

The budgetary execution of centralized funds that make up the centralized budget of the state in 2015 until the third quarter is described as a whole in the presentation notes of the executive and the structure of budgetary execution of this year in the first three trimesters, which we present in Annex no.1(www.mfinance.ro, 2014-2015).

Analyzing the budget execution for this period, it follows that the nine months of 2015

ended with a surplus of 6.1 billion lei, namely 0.87% of GDP, compared to the surplus of 0.4

billion lei respectively 0.06% of GDP, registered on the same date in 2014.

Table no1. The two parts of the budget on 30/09/2015

Indicator	Value - billion RON	GDP	+/-/%/2014	+ / - / % / GDP/2014
I. Consolidated general budget revenues	169,1	24	8,8	0,7
II. Consolidated general budget expenditures	162,9	23,12	5,1	-0,2

Source: Bulletin MPF, Budgetary execution information 2014-2015

I. The consolidated general budget revenues, amounting to 169.1 billion lei, representing 24% of GDP, were 8.8% higher in nominal terms compared to the same period last year, while as its share in GDP by 0, 7 percentage points.

The main revenue recorded increases over the same period last year, namely receipts from: income tax (+ 13.6%), VAT (+ 12.5%), non-tax revenues (+ 12.8%), tax profit (10.9%) and excises (+ 8.2%).

The social security budget revenues coming from social security contributions fell only by 1.4% from the previous year, being influenced perhaps by the 5% reduction of employers' contributions, and by the growth for 2015 by 0.5% of the contribution rate to the pension second pillar.

II. The consolidated general budget expenditures, amounting to 162.9 billion lei, increased in nominal terms by 5.1% compared to the same period of the previous year, but decreased by 0.2% as share in GDP.

A positive fact is that the reduction was recorded for interest costs (-8.1%) due to the seasonality of payments and decrease of the

average interest rates in case of government securities.

Local administrations recorded a growth in taxes and fees by 2.9% as compared to last year, taxes on use of goods by 5.5% and non-tax revenues by 1.7%.

Another positive aspect is the increase by 41.7% as compared to the same period last year, of the expenses incurred for projects funded by external grants.

Investment expenditures, including capital expenditures and those related to development programs financed from internal and external sources, were of 19.0 billion lei, namely 2.7% of GDP in nominal terms by 15.4% higher than the same period last year.

3. Functionality of the Procedural Mechanisms in the Fiscal and Monetary Field

Finance is a comprehensive field that covers several subordinated fields, such as the budgetary with specific financial policies, the monetary with its subordinated policies, the social insurance, the property and civil liability insurance, the financial market, as represented by the stock exchange market,

and the international finance, as classified in this study.

In our view, this scientific approach will take into consideration the budgetary and the monetary field, given their importance and the interconnections between the budgetary and the monetary policies.

The financial procedures are established by specific legal regulations, the fiscal procedures, the procedures on the allocation of public funds, the budgetary deficit funding procedures, the monetary issuance procedures, the procedures regarding the public credit, the credit procedures etc. are worked out by the lawmakers, who actually uphold the Government's official financial policy.

The financial policy designs and builds the financial mechanisms which, in their turn, put into practice the relevant official policies.

The budgetary field requires a budgetary policy consisting in the fiscal policy, the policy on the allocation of public funds and the budgetary deficit funding policies.

The monetary field covers the official policy on the roll-over interest rate or the discount or the rediscount official fee policy, as called in standard terms. Secondly, it covers the minimum compulsory reserve policy and the open market policy usually related to government bonds. These subordinated policies are put into practice according to the relevant subordinated procedural mechanisms.

Returning to the interrelated conditions between the financial policies and their mechanisms, a rhetorical question arises, namely which of them is prevailing? Somehow, the question has a pejorative answer, as mentioned above, that the procedural mechanisms are the result of the financial policy which in its turn is put into practice through the financial mechanisms.

The functionality of the procedural mechanisms, according to their subordinated fields, varies with the design and the extrinsic environment influencing them. The mechanisms are built through specific legal regulations, according to the Government's doctrinal views.

As the procedures are enforced through legal regulations, the regulations will stand up more or less time, according to how realistic they are and to their level of acceptance of the objective economic laws.

A wrong design will result in nonfunctionality of the financial field too. Such nonfunctionality involves financial blockage in various forms, which might turn into chronic financial or economic crises or even further into economic and social paradoxes. To obey the objective economic laws means to obey nature and Divinity, to obey good people's "good faith" or the reasonable doctrinal ideas or those acknowledged by the economic truth.

The influence from the extrinsic environment is the influence from the real economy, production and movement of commodities, such influence being non-linear in time because of the cyclical trends in economy and because of the economic and social crisis facts or other causes such as wars, social movements etc.

The financial policy design provides the mechanism with the necessary regulators and self-regulation tools for situations of financial deviation or blockage occurred on sectoral or on macroeconomic level. Such regulators are called public budgets by the specific literature, their purpose being to adjust the need of resources in the public sector, the credit forms intended to adjust the short-term and the medium-term funding needs, both in the

private and in the public area, and the third regulator, the financial market or, more restrictively, the stock exchange market, which is intended to adjust the medium-term and the long-term funding need.

Under the said regulators, the financial policy is based on specific tools for each subordinated field, such as taxes, budgetary allocations, subsidies, which are used as financial levers able to direct the user's behaviour, either as tax-payer or consumer.

In the credit and the monetary field, the sectoral policy is based on such tools as the interest rate type, the specific credit terms, the public bond issuance terms, the exchange rate and other similar.

The analysis of the use of such tools and the measurements on the effects of their use are covered by various analysis or optimization patterns known in the specific literature. Some considerations and restrictions may be stated again with regard to the mixed use of the budgetary and fiscal policies.

4. The Budgetary and Monetary Policy Mix

The budgetary and the monetary tools mentioned in the previous section are handled by the official financial policy, in relation to the endeavours for macroeconomic stability under various circumstances.

As a rule, the specific literature deals with this starting from the trends in the global demand, on macroeconomic level. Public income and expenditure are known to influence the global demand. The taxation level influences both the public consumption and the productive consumption.

Public expenditure also influences global demand directly through the liquidity

injected for public procurement and indirectly through the size of the people's income resulting from public funds.

Such budgetary flows are actually money transfers from and to the private sector entailing changes in the circulating money supply, therefore it is unavoidable that the monetary policy will react. This is how the prerequisites occur for the budgetary and the monetary policies to connect to each other. The most visible link between the policies of the two sectors is generated by the funding of the budgetary deficits through monetary channels.

The option to finance the budgetary deficit by monetary issuance in order to invigorate the actual demand through liquidity injected into the real economy is followed by the risk of inflation pressure. Such risk may be controlled by monitoring the monetary issuance so that it might not overrule the beneficial effects of the increasing public expenditure.

The other option is to finance the budgetary deficit through domestic or foreign public loans. If the option is for domestic loans, they generate increased pressure on the credit market, which leads to increasing interest rate with immediate implications on the private sector, as it will receive less credit and the investments in the private sector will diminish.

If the budgetary deficit is to be funded through foreign loans, then the increasing reserves of the central bank and/or the amount of the monetary symbols in use will result in an inflation pressure that will require such budgetary measures as cutting taxation in order to generate increasing global demand, increasing production and economy in general, so that such growth might be able to cover at

least the cost of the foreign indebtedness.

The experience of this type of social-economic organization has shown that the effects of expansive or of restrictive budgetary policies generate reconsiderations of the monetary policy and vice versa. The reactions may be analysed also considering the time factor, as the emergency measures usually result in long-term effects.

Restrictive budgetary policies have immediate effects on global demand and are followed as a rule by a setback of the credit demand, generating thus a new situation that requires measures from the issuing bank, regarding the minimum compulsory reserves, the credit terms and particularly the interest rate.

An assessment of the effects of the budgetary changes should take into consideration the resulting multiple reactions on the global demand.

The budgetary multiplier is an indicator that shows the marginal change occurred in the gross domestic product (G.D.P.-Y) as a result of the change occurred in the public expenditure (G) and in the public proceeds collected through taxation (T).

The effects from the public expenditure variations $KG = DY/DG$, and the influences from the fiscal proceeds variations $KT = DY/DT$.

In the budgetary policy, the mix and the factorial analysis of such variations is necessary in order to determine the short, medium and long-term effects on economy and on the monetary policy, which is expected to react to such variations.

The designed measures of budgetary and monetary policy are intended to ensure a balance between demand and supply.

The specific literature describes such pattern measures, as a rule for a closed economy, inclusive with the public sector, in which case a balance is sought between the global demand and the global supply, as the aggregate is called.

When the budgetary income arises as a result of increasing taxation, under normal conditions the public expenditure will increase too, therefore the global demand will be affected by such increase. Such influence may be measured using the budgetary expenditure multiplier,

where is the budgetary expenditure multiplier.

However, if the taxation income is decreasing, then the budgetary expenditure and the aggregate demand decrease too. The tax multiplier, which is the reverse of the budgetary expenditure multiplier, will decline owing to increasing taxation, and the gross domestic product will shrink. The monetary policy will react to such changes using the variation of the minimum compulsory reserves of the issuance bank, handling the loans to government through the monetary issuance and not least the changing roll-over reference interest rates (the rediscount fee).

Conclusions

If the financial legislation input information complies with the spirit of the objective economic laws, then the assumption of functional procedures may come true.

In addition to the financial procedure design level, the other variable required by the functionality of the procedural mechanisms - identification and monitoring of the influences from the real economy - is a

function of the financial policies in the subordinated sectors, whose (short-term) tactical and operating measures are supposed to deal with circumstantial issues arising in the short term, using also the financial mechanism regulators.

Under such circumstances, a mix of budgetary and monetary policies requires

understanding the causes of the phenomenon and the expected result, without setting individual contradictory monetary and budgetary goals, so as to achieve a policy that is beneficial in the financial field, which is of great importance.

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Annex no.1

Table no 2. Execution of the general consolidated budget - Revenues

EXECUTION OF THE GENERAL CONSOLIDATED BUDGET								
	For 1.01.-30.09. 2014			For 1.01.-30.09.2015			Differences 2015 compared to 2014	
	mill. RON	% of the GDP	% of the total	mill. RON	% of the GDP	% of the total	mill. RON	(%)
GDP	666.637,3			704.500,0				
TOTAL REVENUES	155.439,0	23,3	100,0	169.087,9	24,0	100,0	13.648,9	8,8%
Current Revenues	149.126,7	22,4	95,9	160.379,6	22,8	94,8	11.253,0	7,5%
Tax Revenue	93.267,3	14,0	60,0	103.462,1	14,7	61,2	10.194,8	10,9%
Tax on profit, salaries, income and capital gains	27.488,7	4,1	17,7	30.925,5	4,4	18,3	3.436,7	12,5%
Profit Tax	9.104,8	1,4	5,9	10.092,7	1,4	6,0	987,9	10,9%
Salary and income tax	17.312,2	2,6	11,1	19.668,0	2,8	11,6	2.355,8	13,6%
Other taxes on income, profit and capital gains	1.071,8	0,2	0,7	1.164,8	0,2	0,7	93,0	8,7%
Property taxes and other charges	5.416,4	0,8	3,5	5.029,1	0,7	3,0	-387,3	-7,2%
Taxes and other charges on goods and services	59.575,6	8,9	38,3	66.590,3	9,5	39,4	7.014,6	11,8%
VAT	37.977,1	5,7	24,4	42.733,0	6,1	25,3	4.755,9	12,5%
Excise	17.614,4	2,6	11,3	19.063,2	2,7	11,3	1.448,8	8,2%
Other taxes and charges on goods and services	1.889,1	0,3	1,2	2.260,5	0,3	1,3	371,5	19,7%
Use tax on goods, authorization of the use of the goods or tax on the performance of activities	2.095,1	0,3	1,3	2.533,6	0,4	1,5	438,5	20,9%
Tax on foreign trade and international transactions (customs duty)	476,5	0,1	0,3	574,5	0,1	0,3	98,0	20,6%
Other taxes and tax charges	310,0	0,0	0,2	342,7	0,0	0,2	32,7	10,5%
National insurance	42.763,0	6,4	27,5	42.149,9	6,0	24,9	-613,1	-1,4%
Non-Tax Revenues	13.096,3	2,0	8,4	14.767,6	2,1	8,7	1.671,3	12,8%
Capital Revenues	680,2	0,1	0,4	744,1	0,1	0,4	63,8	9,4%
Donations	63,5	0,0	0,0	4,7	0,0	0,0	-58,8	-92,6%
Amounts received from the EU as payments and pre-financing	5.515,6	0,8	3,5	7.616,2	1,1	4,5	2.100,6	38,1%
Amounts to the sole account (State budget)	52,9	0,0	0,0	-54,3	0,0	0,0	-107,2	-202,6%

Other amounts received from the EU for the operational programmes financed under the convergence objective				-18,7	0,0	0,0	-18,7	
Amounts received from the EU/other donors as payments and pre-financing, afferent to the 2014-2020 financial framework				416,3	0,1	0,2	416,3	

Source: Bulletin MPF, Budgetary execution information 2014-2015

Table no 3. Execution of the general consolidated budget – Expenditure

EXECUTION OF THE GENERAL CONSOLIDATED BUDGET								
	For 1.01.-30.09. 2014			For 1.01.-30.09.2015			Differences 2015 compared to 2014	
	mill. RON	% of the GDP	% of the total	mill. RON	% of the GDP	% of the total	mill. RON	(%)
GDP	666.637,3			704.500,0				
TOTAL EXPENDITURE	155.019,9	23,3	100,0	162.940,4	23,1	100,0	7.920,5	5,1%
Curent Expenditure	147.557,4	22,1	95,2	156.153,5	22,2	95,8	8.596,1	5,8%
Staffing expenditure	35.717,8	5,4	23,0	37.869,4	5,4	23,2	2.151,6	6,0%
Goods and services	26.295,3	3,9	17,0	27.029,1	3,8	16,6	733,8	2,8%
Interest	8.678,6	1,3	5,6	7.977,5	1,1	4,9	-701,1	-8,1%
Subsidies	4.266,0	0,6	2,8	4.079,4	0,6	2,5	-186,7	-4,4%
Transfers - Total	72.248,6	10,8	46,6	78.939,8	11,2	48,4	6.691,2	9,3%
Transfers between the units of the public administrations	775,2	0,1	0,5	747,4	0,1	0,5	-27,8	-3,6%
Other Transfers	8.519,8	1,3	5,5	7.746,1	1,1	4,8	-773,7	-9,1%
Projects financed from external non-reimbursable funds	7.648,6	1,1	4,9	10.837,4	1,5	6,7	3.188,8	41,7%
Social services	52.908,9	7,9	34,1	56.274,1	8,0	34,5	3.365,2	6,4%
Projects financed from external non-reimbursable funds afferent to the								
2014-2020 financial framework				492,9	0,1	0,3	492,9	
Other expenditures	2.396,0	0,4	1,5	2.841,9	0,4	1,7	445,9	18,6%
Expenditures afferent to the programmes with reimbursable financing	351,1	0,1	0,2	258,4	0,0	0,2	-92,7	-26,4%

Capital expenditure	8.088,0	1,2	5,2	7.605,5	1,1	4,7	-482,5	-6,0%
Financial operations								
Payments performed in the previous years and re-covered in the current year	-625,4	-0,1	-0,4	-818,6	-0,1	-0,5	-193,2	30,9%

Source: Bulletin MPF, Budgetary execution information 2014-2015

Table no 2. Execution of the general consolidated budget – Surplus(+)/Deficit(-)

EXECUTION OF THE GENERAL CONSOLIDATED BUDGET								
	For 1.01.-30.09. 2014			For 1.01.-30.09.2015			Differences 2015 compared to 2014	
	mill. RON	% of the GDP	% of the total	mill. RON	% of the GDP	% of the total	mill. RON	(%)
GDP	666.637,3			704.500,0				
TOTAL REVENUES	155.439,0	23,3	100,0	169.087,9	24,0	100,0	13.648,9	8,8%
TOTAL EXPENDITURE	155.019,9	23,3	100,0	162.940,4	23,1	100,0	7.920,5	5,1%
SURPLUS(+) / DEFICIT(-)	419,1	0,06		6.147,5	0,87			

Source: Bulletin MPF, Budgetary execution information 2014-2015

Inquiry into Leadership: The Case of Romanian Women Leaders

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Abstract: All over the European Union companies face the same problem: a dramatic gender gap in leadership. Men far outnumber women in senior business positions in developed and less developed countries, including Romania. What makes leadership positions so inaccessible to Romanian women? Senior women leaders in Western Europe mentioned stereotyping as an important barrier to consider. To demonstrate that stereotyping is indeed a factor in the leadership gender gap, it was first necessary to substantiate that stereotype-based perceptions of women's leadership do in fact exist in Romania. In the second part of this research, perceived existing differences between men and women leaders were scrutinized and compared to their standardized profiles as indicated by the Hogan Assessment Systems, both at the organizational and individual levels.

Whether women stereotyping was found to be relatively low in Romania, differences in personality traits between men and women seem to impede women from advancing to the top management positions. It also explains the emergence of a diversity of leadership styles.

Key words: gender gap, leadership, gender roles, personality assessment

JEL Classification: M10, M20, L290.

Introduction

Many women confront stressors in the leadership role that stem from stereotypical expectations and biases. Although there have been many important changes in Europe and around the world within the last 40 years, the insidious perceptions that women are stereotypically feminine and do not fit the image of an ideal leader is still pervasive (Chemers, 1997). These negative perceptions not only affect the evaluation and perception of women in a leadership role but they may also affect women's perceptions of themselves as leaders.

Stereotypes can be defined as perceptions about the qualities that distinguish groups or categories of people (Agars, 2004). Psychologists believe that people use stereotypes as a short-cut to help them anticipate the motives, abilities and behaviors of others. Rather than having to figure out each person they meet, people routinely use stereotypes for the sake of expediency.

Whether the stereotypes are positive or negative, research shows that they can cause us to miss information about other people (Bargh, Chen, Burrows, 2002). If people act on the incomplete information that stereotypes can lead them to, they can wind up making poor decisions (Catalyst, 2002). This happens in organizations: stereotypes create flawed impressions about women's skills and abilities to lead which then result in decisions that pass them over for top leadership positions.

Gender stereotypes: a literature review

Gender stereotypes refer to cognitive structures that influence the way individuals process information regarding men and women. Stereotypes are well documented, persistent and highly resistant to change (Heilman, 2001). Gender stereotypes contain

both descriptive and prescriptive elements in that they do not only describe the stereotypic beliefs about women and men but they also prescribe how men and women should be (Glick and Fiske, 1999).

The gender stereotypes that directly relate to the leadership domain are those that revolve around communal attributes (e.g., women are stereotyped as sensitive, warm, kind, supporting and nurturing) and agentic attributes (men are stereotyped as independent, assertive, competitive and decisive) (Eagly, Wood and Dickman, 2000; Heilman, 2001). In leadership roles, agentic, as opposed to communal, tendencies are often indispensable thus making gender stereotypes particularly pernicious for women leaders. Indeed, Eagly and Karau's role congruity theory (2002) maintains that the agentic qualities deemed necessary in the leadership role are incompatible with the predominantly communal qualities associated with women. In support of this think-leader – think-male stereotype (Sczesny, 2003), substantial empirical evidence suggests that successful leaders are often thought to require and are often described as possessing stereotypically male attributes (Powell and Butterfield, 1989; Schein, 2001).

According to role congruity theory, the perceived incongruity between the female gender role and the leadership role leads to two forms of prejudice against women leaders (Eagly and Karau, 2002). First, the descriptive aspect of the gender stereotype leads people to perceive women as more communal and less agentic, thus perceiving them as less qualified for leadership positions. Second, the prescriptive component of the stereotype suggests that when women leaders successfully demonstrate favorable

leadership characteristics they are perceived less favorably because those behaviors are inconsistent with expectations of appropriate (and desired) female behaviors. Together, these two forms of prejudice can account for research findings that indicate less favorable attitudes toward female than men leaders, greater difficulty for women to attain top leadership roles and greater difficulty for these women to be viewed as effective in these roles (Eagly and Karau, 2002).

Theories and models accounting for the emergence of gender-related behaviors in organizations and thus the creation of a glass ceiling fall into three categories: biological explanations; socialization explanations; structural/cultural explanations (Lueptow et al, 2001). Biological models argue that there are biological differences between men and women. These differences are thought to be a result of an "evolutionary model postulating constant gendered differences based on genetic patterns evolved from adaptation to differing reproductive challenges of early males and females" (Lueptow et al., p. 1). From a psychological perspective, biologically based models explain stable biological differences between genders as a result of psychological dispositions. These different psychological profiles of the sexes have evolved over time (Wood and Eagly, 2002). Today, biological models and evolutionary models usually are not employed in the context of leadership differences between men and women leaders (Lueptow et al, 2001). Instead, socialization and structural/cultural explanations have received much more attention than biological models (Bartol et al. 2003) and have been called "the most accepted explanation for gender differences" (Lueptow et al., 2001, p. 11). Both models are social constructionist

accounts of differences between genders.

Social constructionist theories have argued that biological differences do not have a fixed meaning across cultures – rather it is societal expectations that produce and maintain inequality between genders (Wood and Eagly, 2002). More specifically, authors of socialization theories argued "gender identity and differences are acquired through various developmental processes associated with life stages, such as schooling and work life" (Bartol et al, p. 9) and therefore are based on individuals' socialization.

In contrast to biological models, structural/cultural models proposed that "social structures, systems and arrangements that channel and define gender differences due to discrepancies in status and power" (Bartol et al., 2003, p. 9) are the cause for differences in leadership attributed to gender. According to the distribution of different social roles between men and women, relatively stable patterns of behavior are displayed (Deaux and Major, 1987; Lueptow et al, 2001).

Can stereotypes really contribute to the gender gap in business leadership?

According to Catalyst (2002), stereotypes do not have to be true to exist. Although they are very difficult to prove accurate with scientific evidence, many people generally accept them to be true (Schneider, p. 224). Experts on stereotypes believe that they develop as justifications for the different social roles and statuses that groups have in a society (Jost, Banaji, Nosek, 2004). One fact that supports this belief is that similar stereotypes exist about low-status groups everywhere in the world. For example, groups that occupy subordinate/low statuses – such as women

and the poor – are all stereotyped in common ways. When compared to high status groups such as men and the wealthy, these low-status groups are commonly described as incompetent, dependent and lacking ambition. Researchers believe that these characterizations develop and persist because they justify the standing that these groups have been assigned in society – not because they have been shown to be true over time (Jost et al, 1990). This reasoning applies in business too: stereotypical characterizations of women leaders may justify why women are excluded from the highest positions of leadership in organizations and do not necessarily represent undisputable truths about women's competence.

More important than the issue of whether stereotypes are true or not is how they can change one's behavior once he/she is exposed to them. For example, researchers have shown that we can influence others to act in ways that confirm our stereotypes of them (Jost and Kay, 2005). But perhaps the most lasting and damaging effect of stereotypes is that they cause us to accept the status quo. Research suggests that when women and men are exposed to gender stereotypes, they also become more accepting of existing gender inequalities (Agars, 2004). This means that in organizations where gender stereotyping is pervasive, there is not likely to be much support for changing the gender mix in leadership.

In 2002, Catalyst surveyed senior women leaders from large companies and firms in 20 countries across the European Union about the barriers they faced in business leadership. That study found that the leadership barrier most cited by women leaders was gender stereotyping.

Why do women blame stereotyping for the gender gap in leadership? To find an answer, I investigated first the Romanian context, namely the most popular stereotypes related to women present in this country. Next, I discussed perceptions of participants related to attitudes, beliefs and behaviors of women in an attempt to identify stereotypes on women's traditional role, values, biology, behavior and motivation.

Purpose of the research

To demonstrate that stereotyping is indeed a factor in the leadership gender gap, it was first necessary to substantiate that stereotype-based perceptions of women's leadership do in fact exist in Romania. Therefore, I focused on the following questions:

- a) What stereotypes are frequently met in Romanian leadership?
- b) How pervasive is gender stereotyping in Romanian organizations?
- c) Do women in leadership positions significantly differ from men in terms of behaviors and values?

According to Dragusin (2006), social perceptions and stereotypes related to women in executive positions most frequently met in Romania are:

- 1) Women do not want to be managers;
- 2) Women do not have the same leadership skills as men;
- 3) Women do not have the appropriate training needed for managers/leaders;
- 4) Women do not have enough experience to be promoted as top managers;
- 5) Top jobs and parenthood are impossible to reconcile – for women.

Perceived existing differences between men and women leaders were then scrutinized and compared to their standardized profiles.

Questioning the existence of stereotypes – the organizational level

43 items related to attitudes, behaviors and beliefs regarding women were designed and administered to 186 participants. The questionnaire measured 5 types of stereotypes using a Likert scale (strongly disagree-strongly agree) related to: women's traditional role, values, biology, behavior and motivation.

Stereotypes about women related to their motivation

In general, most respondents did not embrace the idea that women do not want to be managers. Specifically, 63% strongly disagreed with the myth that "women do not have career expectations as high as men"; 86% were in favor of the idea that women are as interested in professional success as men and 83% of the interviewees strongly disagreed with the stereotype that "women do not like power positions".

This finding is consistent with Adler and Izraeli's survey (2004) of more than 1000 graduating MBAs that revealed that female and male MBAs are equally interested in pursuing a management career. But because senior managers assume that women do not want top positions in organizations, it is unlikely for these organizations to invest in the development of their women managers and provide assignments with power and opportunity. The study suggests that because men hold most upper level management positions, they do most hiring and they may not be willing to offer career advancement opportunities to women subordinates not because women refuse it, but rather because they are judged on the male model of career development and their appropriateness of

their "fit" in organizations.

As far as women's behavioral issues, more than 50% of our responded strongly disagreed with the following affirmations: "Neither men nor women like a woman – leader" (62%); "women do not handle successfully a crisis situation" (55%); and "women do not possess leadership skills" (51%).

In support of Romanians' perceptions on women, behavioral scientist Shannon I. Goodson states: "Women can be competent, assertive role models without becoming pinstriped male clones". Dr. Judy Rosener(1995) adds that there has been a move to look at women's style of leadership not as better or worse but as added value. Rosener found that women tend to share power and information, be collaborative and often lead in an interactive manner. Their leadership style is, simply put, different from men's leadership model. They are more patient, honest, flexible and consensus-oriented than their male counterparts, traits that in crisis situations may make them better leaders than men.

In line with women's behavioral issues were the respondents' perceptions regarding women in their (assigned) traditional role: 60% of respondents disagreed with the general myth that "the duty of housework should belong to women only" and 78% strongly disapproved the affirmation that "men do not have time for housework". On the other hand, only 17% of our respondents did not support the idea that "women are the ones that should be concerned with raising and educating children". In other words, women are primarily perceived as mothers while sharing housework with their male partners is rather seen as "normal", "necessary" and "fair".

Do women and men have different values? 56% of the interviewees strongly agreed that “management positions remove women from their families”, therefore there is little chance for them to be both CEOs and have a family. Women also “care too much about the working conditions” state 37% of the respondents while 68% think that “women would accept management positions even if it were not for economic reasons”.

Indeed, this finding is consonant with the results of a major study conducted on women in European businesses by the Wall Street Journal and Arthur Andersen in March 2001 which concluded that job satisfaction was by far the most important characteristic in a job to European women executives, though being promoted and paid fairly were also top priorities.

It seems that for Romanians, stereotypes cannot be explained by biological differences between men and women: 67% neither agree nor disagree with the affirmation that “inequalities between men and women are a consequence of biological differences”. “Differences between men and women are at the personality level” – this is what 44% of the interviewees believe. On the other hand, only 2% of them believe that in Romania women are treated correctly.

Feminist author Sally Helgessen feels that the talents, experiences, attitudes and skills that women bring with them are

precisely what is needed in today’s innovative economy. Women are better at seeing the human side, quicker to cut through competitive distinctions of hierarchy and ranking and impatient with cumbersome protocols (Helgessen, 1990). It is this confluence of abilities and required leadership capacities that creates unprecedented opportunities for women to play a vital role in leading transformational change in organizations and communities.

Leadership at the individual level – do personality differences between men and women really exist?

The sample consisted of 120 CEOs, top managers and middle managers from various industries. 56% were women and 44% were men between 30 and 50 years of age. In order to investigate whether differences in leadership styles between men and women exist, I used the Hogan Assessment Systems framework that uses its own personality assessments to help organizations select employees and develop leaders. Because of its proven ability to predict leader performance, the Hogan Personality Inventory (HPI) is considered the industry standard for measures of normal personality based on the Five Factor Model designed to predict career success. In table 1, HPI scale definition are presented and explained. It encompasses the “bright” side of a leader’s behavior in day-by-day situations.

Table 1. HPI scale definitions (The bright side)

Characteristics	Explanation
Adjustment	Composed, even-tempered, handles pressure well or anxious, worried, moody and easily irritated
Ambition	Competitive, leader-like, self-confident, career-focused or socially retiring, lacking confidence, struggling
Sociability	Needs or enjoys social interaction, outgoing, talkative, easily approachable or independent, withdrawn, socially reactive
Interpersonal sensitivity	Perceptive, tactful, warm, sensitive, agreeable or cold, tough, cynical, critical, task focused
Prudence	Conscientious, conforming, rule-compliant, reliable or flexible, open-minded, impulsive, non-conforming, risk-taking
Inquisitive	Creative, full of ideas, with a broad range of interests or pragmatic, interest-focused, details-focused
Learning approach	Takes pleasure in learning, enjoys staying up to date in business and technical matters or hands on, practical learning

Our findings show that the “bright” side of the Romanian men leaders consists in: calm under pressure; good stress management; confidence in their own strength and inclination towards self-reliance. Men leaders are also competitive, aggressive, ready to take initiative, dominating, energetic, creative, good strategists and less oriented towards implementation. Women leaders manifest themselves as: self-criticizing, demanding more from themselves and the others; inclined to ask for feedback and willing

to receive feedback; less calm in stressful situations; may seem less shy; more pragmatic and oriented towards implementation.

The HDS (Hogan Development Survey) – refers to peoples’ interpersonal style when strengths become weaknesses in times of frustration. The HDS is designed to assess characteristics associated with managerial derailment and leadership dysfunctions. This is why they are associated with the “dark” side of personality. In table 2, HDS terms are explained.

Table 2. HDS scale definitions (the dark side)

Characteristics	Explanation
Excitable	Moody and hard to please, enthusiastic about new persons or projects and then becoming disappointed in them
Skeptical	Cynical, mistrustful, doubting the good intentions of others
Cautious	Conservative, careful, concerned about making mistakes, reluctant to take initiative for fear of being criticized or embarrassed
Reserved	To keep to oneself, dislikes working in teams or meeting new people, indifferent to the words and feelings of others

Leisurely	Independent, refusing to be hurried, ignoring other peoples' requests, becoming irritable if they persist
Bold	Unusually self-confident, strong feelings of entitlement, unwilling to admit mistakes, listen to advice, attend feedback
Mischievous	Enjoys taking risks and testing the limits, easily bored, seeks excitement
Colorful	Lively, expressive, dramatic, wants to be noticed
Imaginative	Acts and thinks in creative and sometimes unusual ways
Diligent	Meticulous, precise, critical of others' performance
Dutiful	Eager to please, ingratiating, reluctant to take independent actions or go against popular opinion

Traits that are associated with the "dark" side of Romanian men leaders include: charisma; being not afraid to make decisions in critical, tough situations and excessive confidence in them. The tendency to dominate and be aggressive sometimes also accounts for the dark side of men leaders. As far as women leaders are concerned, women may seem impulsive; they may be slower in making decisions and afraid of disappointment/failure.

The MVPI (Motives, Values and Preference Inventory) refers to a leader's core values (the inside of personality). There are good values such as charity, honesty and fairness and bad values such as greed and selfishness. A values profile associated with successful business leadership is presented in table 3. As values are predictors of peoples' choices in life, in the specific context of leadership I assumed that a leader's core values would be the cornerstone of a leader's organizational culture.

Table 3. MVPI scale definitions

Core values	Explanation
Aesthetics	Motives are associated with creative, artistic self-expression and quality
Affiliation	A desire for and enjoyment of social interactions
Altruistic	Concerns about others' welfare and making a difference
Commerce	Interest in business and financial gains
Hedonism	Orientation towards fun and pleasure
Power	Desire for success, accomplishment, challenge and career status
Recognition	Need to be recognized, visible, famous
Science	Analysis and the pursuit of knowledge and new ideas
Security	Desire for certainty and predictability
Tradition	Dedication to rituals and old-fashioned virtues

According to my data, Romanian men leaders as founders of an organizational culture would value success and competition, value business opportunities and pay much attention to results/profits while women leaders would focus more on the human side of the business, and pay attention more to the company's image. Women are generally looking for predictability and manifest respect for tradition. They also distinguish themselves from their male counterparts with their sense and taste for the aesthetic and altruism.

Female leaders score higher than male leaders on 'ambition, bold, mischievous, colorful and imaginative'. Men are more confident, competitive, visionary and have a stronger presence. They also scored high in science, hedonism and recognition. Interestingly enough, both women and men leaders scored the same on power which is a key indicator of goal orientation and career assertiveness.

Women leaders in Romanian organizations: what do statistics say?

According to the National Institute for Statistics, in Romanian businesses only 22% were women CEOs while 78% were men in a similar position in 2013. Women's proportion as members of the board was 28%, far behind men that account for 72% of the board of directors. Apparently, women are better as team managers – 42% - but they are still below men as team managers. As a general observation, it should be mentioned that women represented 49% of the total number of employees.

Even more interesting it is to see how the rate of women in a top position (President/General Director) correlates with the company's dimension: 35% of top positions belong

to women in companies with less than 50 employees. In companies that have 51 to 150 employees, only 27% are female leaders. Only 24% are women situated in a top position in companies that have between 151-500 employees while only 10% are female General Directors of large companies (over 500 employees).

Conclusions

To demonstrate that stereotyping is indeed a factor in the leadership gender gap, I first investigated the stereotype-based perceptions of women leaders in Romania. Contrary to my expectations, I found that stereotypes regarding women in Romania are generally low. This finding is supported by Eagly and Karau's study (1991); "the tendency for men to be chosen as leaders should not be interpreted as a blind tendency to choose men over women, despite behavioral equivalence of sexes. Rather, the tendency to choose men may instead reflect a tendency to define leadership in terms of task-oriented contributions" (p. 692). In other words, it is not that leaders are mostly men because men are preferred as leaders. Rather, most leaders are men because leadership is described as a task that requires behaviors deemed masculine. Thus, if women become leaders, they are likely to behave in a manner that is not expected of their gender based on gender-role stereotypes and they therefore may fear negative consequences.

Romanian women leaders are ambitious and strongly motivated to work by factors others than money. Their style of leadership is different from that of their men counterparts. A pervasive stereotyping of women leaders is that related to the women's

traditional role: mothers and wives, taking care of their families. Differences in leadership between men and women may be explained by personality traits and not by lack of skills and abilities.

At the organizational level, Romanian women leaders manifest themselves as (self) criticizing, very demanding from their subordinates and self, rather impulsive, asking for feedback, pragmatic and willing to see the job done. Traditional gender roles prevail in organizations too: women should take primary responsibility for raising the family and engender doubts about their capacity to fulfill this role together with a professional career, particularly at senior level. This contributes to vertical segregation: women are under-represented in line management positions that lead to the top positions and where recruitments for CEO posts are made. This finding is fully supported by statistical data.

At the individual level, women leaders focus more on the human side of the business, and pay attention more to the company's image. They are generally looking for predictability and manifest respect for tradition. Women-leaders' "hot buttons" are their sense and taste for the aesthetic and altruism. Examples of traits where female-leaders score higher than male leaders are

ambition, boldness, mischievous, colorful and imaginative.

In other words, Romanian women-leaders have the same skills as men in order to get and hold leadership positions but there are differences that depend on various organizational and contextual factors. Some organizations are still following typical female and male role models whereas other organizations challenge typical gender roles. As a general characteristic, in Romanian companies, it seems that gender stereotypes are still holding women back from senior management positions.

The findings must be interpreted in the light of the study's limitations. First, one should bear in mind that the samples for this study were limited as people were asked to participate on a voluntary basis. Therefore, results may not be generalized. Second, this research does not entirely explain the multiple reasons for the under-representation of women in top management positions. In this perspective, new approaches for companies committed to the advancement of women should be researched such as creating a work-family friendly culture or possible transitions from typical career models towards the acceptance of alternative career paths

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The management of higher education establishments from Romania and the academic autonomy

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Abstract: In time, management proved to be determinant for progress, including for the higher education institutions from Romania.

The management in higher education institutions is grounded by the principles that govern education, among which the academic autonomy, a principle newly introduced in post-1989 Romanian legislation that gives to the academic institutions the right to manage their own human and material resources, to establish their mission and their own institutional strategy.

The manager of the academic institution is the chancellor, his responsibilities being specified both in the Law of National Education no. 1/2011 and the internal juridical documents of the higher education institutions, such as the Academic Charta.

Therefore, the chancellor carries out the management of the institution, apart from the didactic and scientific research activity, in accordance with the prerogatives conferred by the law, using his abilities of a leader in the process of academic managing.

Key words: management, higher education institutions, academic autonomy, Romania, leadership, legislation.

Introduction

The current article is meant to emphasize the central role that the management of higher education establishments has not only at an institutional level, but at a national level as well.

Every educational degree from Romania was subservient to the politics preached by the sole party¹ before December 1989, but after this date the reforms experienced by the Romanian society left their mark on the educational system.

The first private universities appeared after this date and the academic autonomy was asserted as an objective necessity because the public higher education establishments were in coordination with the Department of Education, Research and Youth and not in subordination with it. In this way were created proper circumstances for quality management in honor of the students, meaning in honor of the didactic, educational and scientific research activity.

Brief aspects related to the concepts of "management" and "manager"

John C. Maxwell said that "the management is the process in which the implementation of the program and the aims of the organization in cause are insured."²

Certainly, the management implies a complex and lengthy in time process that imperatively needs to be carried out by a whole team of professionals.

Needless to say that the management is provided by a manager, meaning the person who has the role of the leader in a

company³ or organization.

The leadership of the higher academic establishments is regulated through structural law.

The educational activity in Romania was regularized through two regulatory documents after 1989: the Law of Instruction no. 84/1995 and the Law of National Education no. 1/2011.

The leading of the higher education establishments according to the first post-revolutionary law dedicated to the Romanian educational system

The first post-revolutionary law intended for regulating and operating the Romanian educational system in every degree stipulated that "Academic institutions are governed by senates and faculties and departments are governed by boards. The senates are presided over by chancellors, the boards of faculties by deans and the boards of departments by directors."⁴

The operative authority is assigned to the Senate Bureau through the same regulatory document. The position of president of the University was introduced at the same time.

One of the major progresses was the institution of democracy, supported by the introduction of the vote, in the educational system of the university education. Therefore, as from 1995, the decisions of the senates and the boards of faculties and departments can be adopted through the majority of votes of the present members and only if this number

³ <https://dexonline.ro>, accessed 19 September 2015.

⁴ Law no. 84/1995 of education, republished in the Official Gazette of Romania, Part I, no. 606/10.12.1999, Article 146 (1). Law no. 84/1995 was abrogated, replaced by Law no. 1/2011.

¹ Romanian Communist Party

² John C. Maxwell. *Developing the leader within you*. București: Editura Amaltea, 2003.

represents at least two thirds of the total.

In these circumstances, the leadership of the universities registered a decentralization through the replacement of the "sole leader", a vassal of the political regime, with a true collective leadership.

Moreover, the Law of Instruction vigorously stated that "The education does not submit to the aims and dogmata promoted by the parties or other political formations" and the fact that "The creation and functioning of the parties or other political formations, as well as the undergoing of organizational activities and political propaganda, are strictly forbidden in the units and spaces designed for education."⁵

The introduction of the majority vote did not represent a decrease of the input that the leadership of a higher education institution, represented first and foremost by the chancellor, has. By means of the responsibilities that are assigned to this position, the chancellor is, among others, employer and credit (tertiary) sequencer.

In other words, by means of the prerogatives that he has, the chancellor provides the management of the higher education establishment.

But is the notion of "manager" synonymous with the notion of "leadership"?

The answer is easy: the same way it was decided in the specialty doctrine, it is well known that the notion of "manager" is not synonymous with the notion of "leadership".

Therefore, every chancellor is the manager of the institution but not every

chancellor is a true leader.

In the exercise of his mandate, the chancellor must relate to the legal norms that govern his activity and also to the ethic ones that should guide each and every one of us, regardless of the field of activity. Surely, we can claim that the ones that occupy leadership positions at some point must be more receptive to the unwritten norms, the moral ones.

Without the possibility of denial, a combination of the legal and moral issues is required. What happens if there are incongruities between the two? How should a good manager act in this kind of situation? The choice is tough but this makes all the difference between a manager and a true leadership.

In this context, regarding the academic institutions, an important role is played by the academic autonomy.

The leading of the Romanian higher education establishments in the current system

The regulatory document makes a strong delimitation between the leadership structures and the leadership positions. Thus, the leadership structures are:⁶

- at the university level – the academic senate and the managing board
- at the faculty level – the board of faculty
- at the department level – the board of department

⁵ Law no. 84/1995 of education, republished in the Official Gazette of Romania, Part I, no. 606/10.12.1999, Article 11 (1), (2). Law no. 84/1995 was abrogated, replaced by Law no. 1 /2011.

Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/10.01.2011, Article 207 (1).

The leadership positions are the following:⁷

- at the university level – the chancellor, the vice-chancellor, the managing director
- at the faculty level – the dean, the vice-deans
- at the department level – the department director

These leadership positions represent positions in the didactic field and their course does not involve public power prerogatives. In other words, these positions are not public positions of authority, but activities in the specific didactic field.

One of the major changes put forth by the new law of national education consists in the fact that the academic senate could no longer be presided by the chancellor. The chancellor is the manager of the higher education institution, exercising the employer and the credit (tertiary)⁸ sequencer prerogatives, the president of the Managing Board, respecting the norms imposed by the law and the Academic Charta etc.

The University Senate is governed by a president and there cannot be identity between him and the chancellor.

The president of the University Senate leads the senate's meetings and stands for the university senate in the relationship with the chancellor.

Furthermore, it is retainable the fact that the president of the University Senate does

not represent a leadership position and consequently the person that exercises this function does not receive compensation. In other words, we can state that the position of president of the University Senate is an honorary office.

Certainly, the regulatory document firmly delimits the duties of the Managing Board and the University Senate.

The Managing Board of the university represents the operative leadership and it is governed by the chancellor or other person appointed by the Academic Charta in case of private and private confessional universities and retains the following responsibilities:⁹

- establishes the institutional budget in operative terms
- approves the execution of the budget and the annual balance sheet
- approves the calls for the competition for the didactic and research positions
- approves the proposals for new studying programs and expresses propositions to the university senate with regard to the ending of those programs that no longer satisfy the goals of the university or that are academically and financially inefficient
- approves the financial operations that exceed the limits set up by the university senate in public universities and by the founders in private universities
- proposes to the university senate new strategies of the university on long and medium terms and new politics related to the university's fields of interest

Concurrently, by virtue of the mandate that it has and that is invested with by the law, the Managing Board is required to

⁷ Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/ 10.01.2011, Article 207 (2).

⁸ Law no. 500/2002 regarding public finance, published in the Official Gazette of Romania, Part I, no. 597/13.08.2002, Article 20 (3).

⁹ Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/ 10.01.2011, Article 213 (13).

apply the strategic decisions of the university senate.

The responsibilities of the University Senate are the following:¹⁰

- insures the academic freedom and the academic autonomy
- develops and adopts after debating with the academic community the Academic Charta
- approves the strategic plan of institutional development and the operational plans proposed by the chancellor
- approves the structure, the organization and the functioning of the university proposed by the chancellor and in accordance with the laws in force
- approves the project of the budget and the budget execution
- develops and approves the Code of quality insurance and the Code of academic ethics and professional deontology
- adopts the academic Code of the student's rights and obligations in accordance with the Code of the student's rights and obligations
- approves the methodologies and the regulations concerning the organization and the functioning of the university
- makes a management contract with the chancellor
- controls the chancellor's activity as well as the managing board's through professional committees
- validates the public competitions for the positions in the managing board
- approves the competition's methodology and results for employing didactic and research personnel and evaluates

periodically the human resource

- approves the penalties proposed by the chancellor with regard to the low professional performances of the personnel in accordance with the specific methodology and the laws in force
- carries out other responsibilities comprised in the Academic Charta

Last but not least "The University Senate represents the academic community and it is the highest forum of decision and deliberation at the university level."¹¹

From analysing the responsibilities given by the legislator emerges the fact that the Senate represents the academic leadership while the Managing Board represents the operative leadership of the academic institution.

Even in these circumstances of firm delimitation between the responsibilities of the two leadership structures and implicitly between the prerogatives of the two presidents, a question continues to be: is it useful for the higher education institution to have two different persons exercising the role of chancellor (who is also the president of the Managing Board) and the role of president of the University Senate?

On the one hand, we consider that, through this measure, the legislator aimed to decentralize the universities. On the surface, this proceeding is meant to ground the institutions and to create the bases for a better transparency in making the decisions. On the other hand however, there is a chance to encounter disaccord or even contradiction between the institutional politics promoted by the two leadership structures.

¹⁰ Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/ 10.01.2011, Article 213 (2).

¹¹ Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/ 10.01.2011, Article 213 (1).

Undoubtedly, the operative strategy, which is administrative in nature, must be in full accordance with the academic politics, in the context in which the chancellor is the credit sequencer.

Moreover, we consider uncharacteristic and totally inefficient the fact that the university senate, as a leadership structure, is overseen by a president, position that is not one of leading, according to the same law.

Therefore, it is possible that the leadership structures fail to have a unitary vision and, as a result, there can be disruptions with a powerful negative effect upon the whole institution that can also befall upon the didactic and scientific research process. Obviously, this is a pessimistic scenario but also fairly realistic.

We consider that only through a unitary institutional politics that promotes an efficient management can the universities provide the background for an increasing number of students and as many well prepared graduates, for unfolding multiple nationally and internationally valuable research projects, for having multiple scientifically rated publications.

For at least these reasons should the university manager administer both the operative leadership and the academic leadership of the higher education institution, without affecting the institutional democracy through this. The system of voting that governs the adoption of the decisions made within the Managing Board or within the University Senate is the guarantee for the objectivity of the decisions.

But, as we pointed out earlier, the manager of the higher education establishment is the chancellor, the only one that has the power to employ and to (tertiary) sequence the credits.

Surely, a good manager should produce benefic effects through his decisions upon the entity¹² that he administers.

It is well known that the manager's decisions can positively or negatively befall upon the institution that he coordinates.

Within a totalitarian government, the manager is kept on his position irrespective of his institutional performance. Obviously, there are completely other priorities within such a regime, such as the ones that are political in nature.

Within a democratic government, the quality of the performance is fundamental and the majority of vote makes the decision.

Furthermore, according to the law, the chancellor's has a 4 years long mandate.

The chancellor can serve no more than two successive mandates.

The manager of a higher education institution, that is also a teacher, must coordinate and supervise the managing activities, apart from the didactic and scientific research activity that has to be one of high standards.

According to the current legislation, the chancellor is not bound to be an academic teacher.

However, we consider that a chancellor cannot be a true manager if he lacks the didactic experience of teaching.

There is an inherent relationship between the managing activity and the academic activity, irrespective of the educational or scientific nature of it.

If the managing of the administrative and organizational activities is not satisfactory then the didactic and scientific research activities can be severely affected.

It is well known that the managing activity implies, among others, the administration

¹² Institution

of funds, of patrimonial or not patrimonial assets, movables and immovables. It is necessary that the manager of the institution have the practical experience of teaching, apart from the specific administrative and organizational qualities and attributes, in order to develop and properly allocate these funds so that the proper background is created for an elite activity of teaching and researching, in accordance with the highest European standards and much more. The lack of teaching experience will most likely affect the managing of the funds and the management provided will not exceed mediocrity.

The legislator univocally regulates the chancellor's responsibilities, therefore:¹³

- accomplishes the management and the operative leadership of the university based on the management contract

- negotiates and signs the institutional contract with the Department of Education, Research, Youth and Sport

- makes the management contract with the university senate

- proposes the university senate the structure and the functioning regulation of the university

- proposes the university senate the budget project and the report for the budgetary execution

- presents the report of the chancellor to the university senate every April. The university senate validates the report based on the accounts given by professional committees. These documents are public information

- leads the managing board

- fulfills other responsibilities determined by the university senate, according

to the management contract, the Academic Charta and the laws in force.

An efficient management must be based on some firm and clear principles, meant to positively guide the activity of any manager.

The legislator established for this purpose the prime criteria that must govern the Romanian education, irrespective of the public or private nature of the system.

The principles of higher education

The most significant principles that govern higher education are:¹⁴

- the principle of equity – on the basis of which the access to learning is indiscriminating

- the principle of quality – on the basis of which the educational activities are related to the reference standards and to the right national and international practices

- the principle of relevance – on the basis of which the education answers the needs of personal and social-economical development

- the principle of efficiency – on the basis of which are pursued the maximal educational results through managing the existent resources

- the principle of decentralization – on the basis of which the prime decisions are made by the actors implied directly in the process

- the principle of public accountability – on the basis of which the educational units and institutions are publicly accountable for their performances

- the principle of guaranteeing for the cultural identity of every Romanian citizen and for the intercultural dialogue

¹³ Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/ 10.01.2011, Article 213 (6).

¹⁴ Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/ 10.01.2011, Article 3.

- the principle of assuming, promoting and preserving the national identity and the cultural values of the Romanian people

- the principle of recognition and guaranteeing the rights of the national minorities, the right of preserving, developing and expressing their ethnic, cultural, linguistic and confessional identity

- the principle of academic autonomy
- the principle of insuring the equality of chances

- the principle of academic freedom
- the principle of transparency – materialized through the insurance of complete visibility of decision and of results, through periodical and adequate account for these aspects

- the principle of freedom of thought and of independence towards ideologies, religious dogmata and political doctrines

- the principle of social inclusion

- the principle of centering the education on the beneficiaries of it

- the principle of participating and liability of the parents

- the principle of promoting the education for health, including through physical education and through practicing sport

- the principle of organization the confessional education according to the specific requirements of every recognized cult

- the principle of foundation of the decision on dialogue and consultation

- the principle of respecting the right of opinion that the student has as a direct beneficiary of the educational system

One of the most important principles instituted by the legislator is the academic autonomy.

This principle is intended for creating

the proper background for establishing and stimulating the academic management meant to protect and develop the interests of the academic community and, therefore, of the higher education establishments.

The academic autonomy

The academic autonomy constitutes a central factor in the academic management.

As we briefly pointed out earlier, after December 1989, the higher education establishments were no longer submitted to the political power and to the sole leader.

"The academic autonomy resides in the right of the academic community to lead itself, to exercise its academic freedoms without interfering with ideologies, politics and confessions, to assume a set of capacities and obligations in accordance with the national strategic options and directions of developing the higher education, according to the law."¹⁵

The academic autonomy must be exercised in conformation to the opposable legal background. If not, by means of a flawed understanding of the academic autonomy manifested in the trespass of the regulation documents, there would be anarchy.

In this situation, the effects may be devastating and the results may befall upon the academic institution, compromising the very didactic-educative and scientific research activity. As a matter of fact, the legislator established from the very instauration of this noble principle¹⁶ that "The academic autonomy is

¹⁵ Law no. 84/1995 of education, republished in the Official Gazette of Romania, Part I, no. 606/10.12.1999, Article 89 (1). Law no. 84/1995 was abrogated, replaced by Law no. 1 /2011.

¹⁶Academic autonomy

correlated with the principle of personal and public accountability for the quality of the whole didactic and scientific research activity that is unfolded by the respective higher education establishment.”¹⁷

This means that every higher education institution, irrespective of the private or public nature of it, must be led with the strict application of the following criteria:¹⁸

- to abide by the laws in force, the specific charta and the European and national politics related to the academic field
- to apply and submit to the regulations in force related to the insurance and evaluation of the quality of the higher education
- to honor the politics of equity and academic ethics comprised in the Code of ethics and professional deontology approved by the university senate
- to insure the managerial efficiency and the efficient use of the resources, in cases of public universities, and the spending of the funds from public sources, in conformity with the institutional contract
- to insure the transparency of all the decisions and activities, according to the legislation in force
- to respect the academic freedom of the didactic, auxiliary and research personnel, in addition to the rights and freedoms of the students

For that purpose, for preaching and respecting the principle of the academic

autonomy, there is also the Academic Charta of the higher education institution.

The Academic Charta is adopted by the senate of every higher education institution and contains the set of rights and obligations of the academic community, standardizing the demeanor of it in the academic space.

The Academic Charta does not subrogate the law and it is adopted in the very conditions and according to the legislation in force.

Through this authentic juridical document, the academic communities can create the proper background in order to unfold their activity at best.

The principle of academic autonomy is preserved and preached by the new law of education as well, the Law of National Education no. 1/2011 that establishes, as we have seen before, many other principles meant to stimulate a desirable institutional management in order to contribute to the development of higher education.

In contrast with the previous regulations, it is explicitly stated in the current Law of National Education that “The academic freedom is guaranteed by the law ...” and that “The academic autonomy gives the academic community the right to establish its own mission, institutional strategy, structure, activities, organization and functioning, its own managing of the human and material resources in accordance with the legislation in force.” Also, “The fundamental aspects of the academic autonomy are expressed in the Academic Charta, approved by the senate in accordance with the legislation in force.”¹⁹

In this way are created the premises for a management adequate to the developing of

¹⁷Law no. 84/1995 of education, republished in the Official Gazette of Romania, Part I, no. 606/10.12.1999, article 99 (2). Law no. 84/1995 was abrogated, replaced by Law no. 1 /2011.

¹⁸Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/10.01.2011, Article 124 (1).

¹⁹Law no. 1 /2011 of national education, published in the Official Gazette of Romania, Part I, no. 18/10.01.2011, article 123 (1), (2), (3).

an academic climate meant to contribute to the evolution of young scholars in every field of activity.

For this purpose as well, there are also improvements of the law with regard to the leadership of the higher education institution.

Last but not least, it is retainable that the academic autonomy is guaranteed by the Constitution of the nation itself.²⁰

Conclusion

As we previously pointed out, the concept of manager is not synonymous with the leadership one.

Every manager exercises his prerogatives as the leader of the institution²¹, prerogatives that are conferred by the law, the statutes and the regulations.²²

Nevertheless, not every manager is a true leadership.

Through leadership we understand "the capacity of the project manager to determine the project team's members to follow him in his aims on the basis of a powerful emotional and operational involvement."²³

In other words, to be the leadership implies the presence of certain qualities that are inherited and developed in time and other qualities that are acquired and developed together with the professional evolution and, why not, personal.

Whereas a manager is more or less listened to, based on institutional hierarchy

reasons only, on relationships of subordination, a leadership is followed out of loyalty, team spirit, trust, through the power of his own example etc., as a result of the abilities that he proves and that he manages to assert, not on the basis of some laws or written regulations, but in honor of his qualities that are perceived and appreciated by the other employees.

Furthermore, to be the leadership involves the acknowledgement of the needs of every category of employees and, within the possibility, of every single employee.

This means that the chancellor, owe to his abilities, goes beyond the limits of a manager, acknowledges and understands at least the problems that different categories of employees encounter, no matter whether it is about the didactic, research, auxiliary or not didactic personnel.

In other words, "Leadership is art based on science. We cannot be effective leaders in the absence of knowledge but, no matter how many studies or books we have read, if we do not consider leadership an art, then we will not be able to adjust our behavior in order to be the best in "the art of leading". Similar to all arts, the leadership evolves and changes as our personality changes.

To operate the managing process in such a way that the results have beneficent effects and positively influence the didactic and scientific research activity is meant to create the premises for an efficient institutional development both economically and academically. Only in this way do the higher education establishments become genuine formative nuclei of prestigious intellectuals that can successfully assert themselves on national and international scientific, cultural and artistic grounds.

Certainly, only a leadership can attain those performances because the position of a manager would not suffice.


²⁰ Romanian Constitution, published in the Official Gazette of Romania, Part I, no. 767/31.10.200332, Article 32 (6)

²¹ A juridical person, whatever is the organization's form.

²² Normative and judicial intern acts.

²³ <https://dexonline.ro>, accessed 19 September 2015.

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Management of Organizational Change Processes

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Abstract: Contemporary organizations need to understand the meaning of change and to tackle it as a source for improving processes and activities, aiming at increasing the performance and competitiveness. From this perspective, the paper presents approaches to organizational change and highlights the fundamental objectives which the organizations set for themselves by designing and implementing organizational change programs. The conceptual framework of the change management is defined and the stages of the change management process are presented. In the final part of the paper the problem of resistance to change is highlighted by explaining the content of the stages that employees go through in the process of adapting to change within organizations.

Key words: organizational change, change management, resistance to change, objectives, competitiveness.

JEL Classification: M10, M12, L21.

1. Introduction

The vast and complex issues related to the organizational change and the change management processes within organizations is addressed in a significant number of studies, surveys and articles published in the specialized literature [1,4,5]. The competition advantage and the competitive advantage are determined decisively by the ability of managers and entrepreneurs to design and implement organizational change programs.

In this respect, it is essential that managers and entrepreneurs promote a proactive and flexible management, by means of which possible changes in the business environment may be detected and timely and effective strategies may be adopted. Most organizations are reactive, meaning that they limit themselves merely to reacting to the changes in the business environment.

In order to become sustainable, the organizations must show a proactive behavior in business and to turn to the so-called sliding planning, which involves revisions of certain objectives, rethinking of strategic options, reallocation of resources, adjusting time limits, depending on contextual evolutions registered in the economic, social, technological and managerial field.

In our view, organizations need to have well-grounded and functional strategies, policies and programs, with realistic targets, with resources allocated rationally and effectively according to the principle of ranking strategic priorities, with deadlines established clearly, yet which may be subject to redefinitions, adjustments and rearrangements depending on the opportunities that may arise in the business environment, new contexts, situations and rules requiring

appropriate behaviors, attitudes and managerial decisions at organizational level.

It is recommended that organizations evaluate periodically their internal potential, doubled by profound analysis of business environment, with special reference to competition within activity frame. Thus, we consider necessary a major mutation to managers and entrepreneurs' mentality, meaning the understanding of the analysis and evaluation importance, which complexity vary depending on the extent and specific of organization's activities [7].

2. About organizational change

Change represents the essence of business development. The approach of change has become a key element as far as competitive advantages are concerned, because only by directing employees towards adopting rapid change, the organization can react to the market pressures before the context is modified [3].

It is important that organizations understand the meaning of change and tackle it as a source for improving processes and activities, so as to increase performance and competitiveness. From this perspective, William Redington Hewlett, co-founder of the famous Hewlett-Packard, stated: "Above anything, consider change inevitable, do not try to oppose it. Always be ready for a 180° turn when you discover a new and promising direction".

Organizational change may involve, for example, redefining the company's mission and, consequently, reconsidering strategic, functional, operational and individual objectives. Thus, the redefinition of the mission means changes in the variables that define

it, namely the activity profile, products and services provided, as well as the customer segments toward which the organization is oriented. Therefore, the organization may propose itself to achieve in the future a new product, to provide a new service that may bring competitive advantages by reference to its competitors, to enter a new market or to reposition itself within an existing market.

Redefining the mission in accordance with the changes in the business environment is a projection of the managers' strategic vision on future activity.

The opportunity to redefine the mission of the organization is determined by the ability of managers to notify mutations occurring in the environment.

Organizational change may also involve the introduction of a new manufacturing or information technology having as its effect the improvement of the processes within the organization and, implicitly, the results of these processes (products and services), improving the performance evaluation system, redesigning the organizational structure (re-configurations jobs and positions, development of certain departments and reduction of others, redefining organizational relationships, etc.), and the operationalization of managerial systems and methods such as management by objectives, project management, total quality management etc.

In our view, organizational change includes a series of activities in which the organization is prepared to acquire the skills needed to implement a new managerial strategy. Organizational change is, on the one hand, a complex process and, on the other hand, it is an important step in strategic planning, being preceded by the diagnosis-analysis and followed by the preparation of the

development strategy of the organization.

Professor Ion Verboncu finds that, largely, organizational change is the transformation of any kind, whether voluntary or involuntary, of the conditions that existed at one time in a given environment. In a narrow sense, organizational change refers to any transformation in the structure, processes, inputs and outputs of an organization [10].

Richard Newton considers that there are three main modalities to approach organizational change [9]:

- as a project;
- with an action committee;
- integrated within operational processes.

The first of these approaches requires a team of change which sets the budget, plans the change and assesses the results obtained further to the implementation of the project.

Examples of changes achieved by project are: redesigning the information subsystem, developing a new product or service, implementing a new management system, etc.

The change with an action committee is aimed at multifunctional improvements that do not require significant investments. Unlike a project, an action committee can be permanent and can be assigned other tasks on a regular basis in order to achieve superior performance. An example of change achieved with the help of action committees is the reduction of the number of complaints from customers.

The change integrated within operational processes envisages the continuous improvement of the performance registered by each employee of the organization. This approach to change is closely related to the

total quality management, which involves tracking down quality from the moment when the order is received from the client, going through all the phases of the execution process up to the delivery of products, empowering each participant to achieve quality.

Regardless of the approach to change, the managerial team should analyze and monitor continuously and systematically the developments of the impact factors from the environment, depending on which they re-define certain objectives of the organization.

The approach of an organizational change process is always subsumed to certain objectives such as:

- redesigning the organization's management system;
- reconfiguring components of the organizational structure (jobs, positions, organizational relationships);
- redesigning the organization's decision-making subsystem;
- increased computerization;
- developing new products and services;
- introducing modern (manufacturing or information) technologies which are sources of competitive advantage;
- reshaping elements of organizational culture;
- implementing a new development strategy;
- drawing up a business partnership with another organization.

3. Change management process approach

Change management is the name given to a set of processes, tools, techniques, methods and approaches for achieving a desired

end state through change. Change management focuses on a successful transition from one state to another [9].

The organizational change process management has two fundamental purposes:

- to help the organization to meet objectives that may not be achieved in the current organization and operation conditions;
- to minimize the negative impact of any change.

Professor Eugen Burduş believes that change management is the whole of the forecasting, organization, coordination, training and control processes related to certain replacement, modification, transformation or upheaval measures in the form and content of the organization, to increase its efficiency and competitiveness [2].

Change management is of major importance from both a theoretical and methodological point of view (being a scientific discipline of the managerial disciplines family) and in terms of practical use. The argument for this assertion is that a well-designed, organized, coordinated and implemented change may lead to a significant improvement in the performance of an organization.

In our view, the management of organizational change processes lies in a logical sequence of progressive steps in which programs of measures and actions are designed and implemented to improve the processes and activities of the organization, the ultimate goal being the increase of its competitiveness.

The change management process, as any managerial process, contains three main phases: forecasting, operational and final measurement and interpretation of results [6].

The first phase, in which a forecasting management is manifested, involves setting the objectives, identifying the resources and

defining strategic options through which the objectives can be achieved, given the resources of the organization.

The operational phase of the change management process, in which an operative management is carried out, includes four steps:

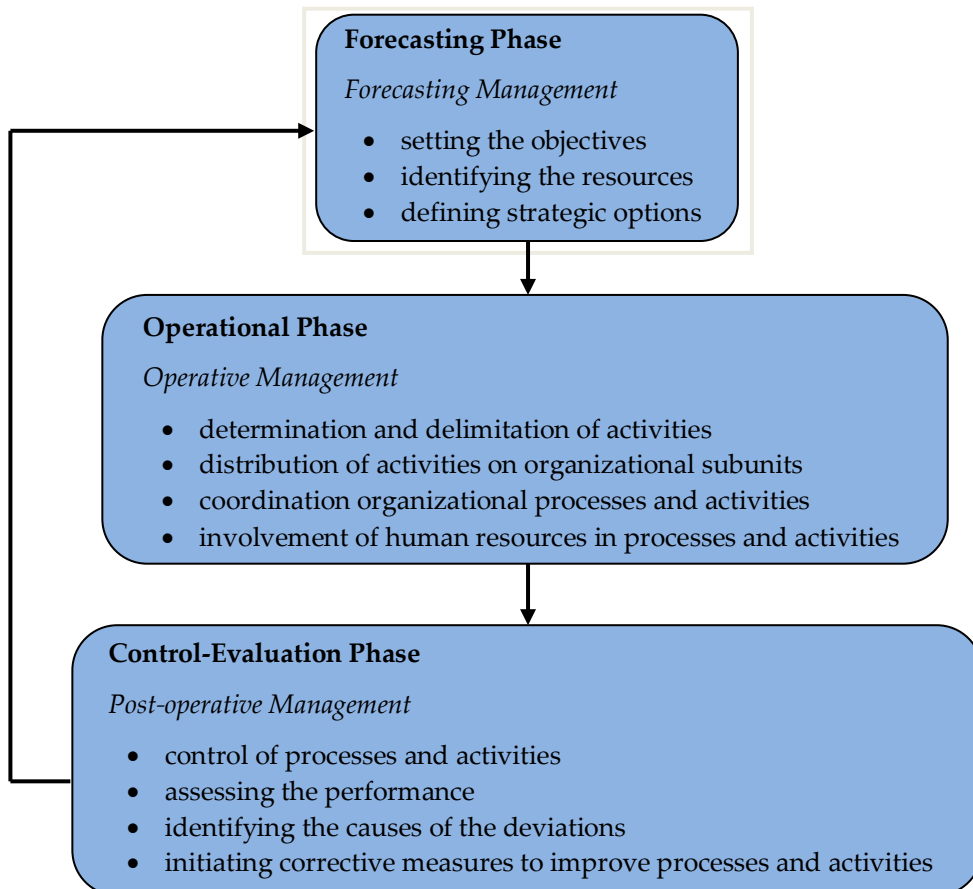
- determination and delimitation of activities;
- distribution of activities on organizational subunits;
- coordination organizational processes and activities;
- involvement of human resources in processes and activities.

The third phase, the measurement and interpretation of results, in which the management is post-operative, essentially consists of:

- control of processes and activities;
- assessing the performance by comparison with the level of forecast objectives;
- identifying the causes of the deviations;
- initiating corrective measures to improve processes and activities in the next managerial cycle.

The essence of the change management process is captured in Figure 1.

Figure 1. Essence of the change management process



In another approach, the change management process may be structured into the following main steps [9]:

- learning the basic elements (source of change, opportunity of change, impact of change);
- understanding the objectives (setting and testing the objectives, identifying the modality in which the gap may be cancelled, i.e. the difference between the current state and the desired state, and defining the limits imposed on the change);
- setting up a change team (identifying the guarantor of change, creating a coordination committee, appointing a change team manager, configuring a network of change agents and supporters, initial evaluation of the support and opposition from employees);
- change planning (setting the main activities, drafting their schedule, identifying the necessary resources, obtaining the approval for the initiation of the change process);
- assessing the availability and the capacity for change (setting the change impact, forecasting the reactions that may occur in the change process, identifying the actions that have to be included in the change plan, assessing the impact on infrastructure);
- implementing the change (plan operationalization, implementation process monitoring, detecting and solving the issues that occur during the implementation, testing solutions);
- change consolidation (support provided for employees to adapt, recognition of errors occurring in previous

stages, completion of change process);

- administering the communication process (coordinating and communication process, appointing a communication manager, conceiving key-messages, setting the schedule and the communication channels, assigning the main communication duties, applying the communication plan);
- preparing future changes (reexamining the current change, identifying possible future changes, preparation for continuous change).

4. Resistance to change

Resistance to change is an important aspect among the organizational change issues. In general, people do not like change, unless they are convinced that they will enjoy some benefits further to its implementation.

For example, an organization is to introduce a new technology that will relieve employees of certain current tasks, which will be reflected in the reduction of the burden on the working hours, and implicitly, of the organizational stress. If the employees are told this, resistance to change will be much diminished. Moreover, many employees will be motivated by the advantages of the new technologies and will support enthusiastically the implementation of the change.

Communication between managers and employees is important even if the arguments in favor of implementing a change project are obvious. Managers have many roles in the context of organizational changes, one of them being to explain the need and opportunity for change to the employees. Employees must understand their role in the success of

the change implementation process, and also become aware that they will enjoy additional benefits as a result of increased economic and social performance of the organization.

There are a number of theories suggesting that each person must go through several steps to adapt to a new context resulted from a change. One of these theories, known as the Hopson model, has structured the process of adapting to change in the following stages [8]:

- immobilization (maintaining a certain state of stability during the performance of change);
- mitigation (while recognizing the need for change, the employee has a tendency to mitigate its importance);
- depression (during the periods of major change, the employee is depressed, lacking motivation and having a bad mood);
- acceptance of reality and renunciation (the employee accepts the reality and the new state of affairs, "gives up" on the past and starts preparing for the future);
- testing (individuals become more motivated and channel their energy towards new attitudes and behaviors appropriate to the new context);
- search for meaning (the employee reflects on the change that has occurred and starts feeling that he is more efficient from the experience which he lived);
- internalization (the new thoughts, feelings, attitudes and behaviors of the employee become stable and integrated into daily work).

Generally, all the employees of an organization go through these stages of the process of adapting to change, but obviously the pace at which they go through them is different, depending on the psychological and

behavioral profile of each.

The good "managers-employees" communication may reduce the process of adapting to change. Thus, in the change preparation stage, it is important for managers to transmit to the employees, in an accurate and consistent manner, the objectives that they must fulfill. Also, the employees must understand how the individual goals fit into the new system of objectives of the organization. In the change implementation phase, each employee has a schedule of activities with well-established durations and deadlines that they have to follow in order to fulfill the new objectives and tasks incumbent upon them.

It is essential that the managers, through the power of their own example, mobilize their employees and impress upon them a new kind of attitude towards change.

Competitive, sustainable organizations are those in which the employees exhibit a pro-learning and pro-change attitude. Organizational changes always involve information gathering, knowledge and skills, which are the most important sources of competitive advantage in contemporary economy.

5. Conclusions

Organizations need to have well-grounded and functional strategies, policies and programs, with realistic targets, with resources allocated rationally and effectively according to the principle of ranking strategic priorities, with deadlines established clearly, yet which may be subject to redefinitions, adjustments and rearrangements depending on the opportunities that may arise

in the business environment, new contexts, situations and rules requiring appropriate behaviors, attitudes and managerial decisions at organizational level.

Organizational change includes a series of activities in which the organization is prepared to acquire the skills needed to implement a new managerial strategy. It is important that organizations understand the meaning of change and tackle it as a source for improving processes and activities, so as to increase performance and competitiveness.

The management of organizational change processes lies in a logical sequence of progressive steps in which programs of measures and actions are designed and implemented to improve the processes and

activities of the organization, the ultimate goal being the increase of its competitiveness.

Resistance to change is an important aspect among the organizational change issues. The good "managers-employees" communication may reduce the process of adapting to change. In the change preparation stage, it is important for managers to transmit to the employees, in an accurate and consistent manner, the objectives that they must fulfill. In the change implementation phase, each employee has a schedule of activities with well-established durations and deadlines

that they have to follow in order to fulfill the objectives and tasks incumbent upon them.

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Entrepreneurial Education in Romanian Education System

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Abstract: EU' s 2020 strategy is to integrate creativity, innovation and entrepreneurship in the school curriculum by proposing a set of actions implying all students in entrepreneurial activity with a view to devoping theirs skills needed in business market. Governments should revise the legislation in force by eliminating existing administrative barriers and supporting entrepreneurs in crucial stages of the life cycle of a business; The links between schools, universities and business area should be strengthened in oreder to achieve aims proposed by EU' s 2020 strategy.

Entrepreneurial education has an important role in the educational system, having a strong applicative character, as it does emphasize the size of the student's personality formation act. The purpose of the entrepreneurial education is to promote students' innovation spirit.

Key words: strategy, entrepreneurship, students, education, business market, economic growth, market dynamics.

JEL Classification: A2, A3, M1

Introduction

Taking into account the obvious benefits to society, every country has an interest to increase its number of entrepreneurs within its population. Entrepreneurship is an essential condition for economic growth and development. The European Union, under pressure from the global economy going to increase social dynamism to remain between communities with a high standard of living, has initiated important priority for the development of entrepreneurial education in all member countries, including Romania. Entrepreneurial education in Romania is performed through both formal /official curriculum and non formal / informal curriculum. The current economy cannot be conceived without entrepreneurship, and the future will be marked by an even stronger development.

EU' s 2020 strategy is to integrate creativity, innovation and entrepreneurship in the school curriculum by proposing a set of actions that effect.

For the European Union, entrepreneurial education is a topic of great interest, which has been supported in the recent years by developing and implementing policies for development.

In the economically developed countries, where the impact of entrepreneurial education is a key element of the curriculum especially within secondary education, it reflects on economy and society.

Currently, the curriculum does not put enough emphasis on developing entrepreneurial skills. Entrepreneurship must be developed at an early age and perfected through courses throughout the years of education and lifelong as well.

European Commission considers that entrepreneurship and SMEs are essential

to relaunch the development of economic growth in response to the worst economic crisis in 50 years, by facilitating the emergence of new enterprises, the emergence of new jobs and through more developed entrepreneurial education.

The master action plan of the European Commission adopted in January 2013 regarding the entrepreneurship in 2020 identified three areas of immediate action:

- Entrepreneurship education and training to support economic growth and formation of new companies;
- Elimination of existing administrative barriers and supporting entrepreneurs in crucial stages of the life cycle of a business;
- Relaunching entrepreneurial culture in Europe and educating new generations of entrepreneurs.

In Europe, an important role in entrepreneurial education lies with governments, different institutes, associations, organizations etc., entrepreneurial activity not being considered a career option being by the majority of the population.

The Member States of the European Union adopted within the Europe 2020 Strategy five major objectives on employment of 75% of the population aged between 20 and 64 years; a percentage of 3% of GDP is allocated to research; 20% reduction of greenhouse gas emissions, increasing the share of renewable energy sources to 20% and increase energy efficiency by the same percentage; in education - reduction of under 10% in the rate of early school leavers, increase of 40% among university graduates in the population aged 30-40 years and not least the fight against poverty, as these are to be implemented by 2020.

European Commission Vice President Antonio Tajani, responsible for entrepreneurship and industry said in a press release: "To make it very clear: more entrepreneurs mean more jobs, more innovation and more competitiveness. We want to make entrepreneurship an attractive and accessible prospect for European citizens. If we can unleash Europe's entrepreneurial potential, we can bring back growth to Europe."

Frank Knight (1885-1972) claims that the entrepreneur contributes to overall economic progress. Aiming at achieving his goals, he will always improve existing technologies and modes of organization.

Entrepreneurial culture development in Romania

Entrepreneurial education has an important role in the educational system, having a strong applicative character, as it does emphasize the size of the student's personality formation act. The purpose of the entrepreneurial education is to promote students'

innovation spirit. Entrepreneurial education should provide students with information with which they understand the entrepreneur's place and role in market dynamics, can generate innovative ideas in business, to be able to foresee and resolve problems and risks that occur in running a business, to know where and how to find assistance and support to implement their business ideas.

In Romania, entrepreneurship education development level is relatively low, mainly due to poor ratio between research, education and industry. The Ministry of Education and Research with the help of the Romanian Government adopted the legal framework and introduced new and optional subjects in the curriculum areas related to entrepreneurial education for developing capacities of professional guidance.

In primary and **secondary schools**, alternative textbooks were printed introducing notions about entrepreneurship in the curriculum educational system.

Curriculum subjects related to entrepreneurship

Study Year	Subject
Class Vth and VIIIth	Entrepreneurial Education
Class IXth	Civic Culture
Class Xth	Entrepreneurial Education

Entrepreneurial Education subject aims at making students develop certain competences which may enable them later to efficiently use their potential in terms of setting up and managing their own business.

In pre-university education system in economics, it is the main method of training firms, through which students have the opportunity to practise their skills and

entrepreneurial skills.

The implementation of such concept aims to create the kind of dynamic entrepreneurs, able to develop a new production process, by starting from an idea and introduce it to the market.

The implementation of such a concept aims to create the type of dynamic entrepreneur, able to develop a new production

process, starting with the implementation of business ideas into products / services, the courage to face problems and solve them, responsible management of material resources and money and not least the perception of self-employment as a career choice.

Education directed towards promoting entrepreneurship and entrepreneurial skills to be formed by teaching – learning - evaluation within entrepreneurial education is based on the values and attitudes such as: independence of thought and action, positive relationships with the others, responsibility in entrepreneurial activity, free initiative. The teaching methods are: courses, Advanced computer simulations and business games, enterprises created by students work on projects and teamwork, visiting businesses, internships, mentoring and counseling, role playing, discussions and exchange of ideas, case studies, etc. Practical methods including setting up and managing training firms and enterprises created by students (both virtual and real).

In the national education system there have been introduced optional programmes for the training of entrepreneurial skills among pupils and students, such as Junior Achievement Programme for students and ECO NET - training firms network in Eastern Europe.

Junior Achievement Programme

Junior Achievement programme conducted in 1993 in Romania, based on partnership with the Ministry of Education and Research and the business community Junior Achievement Romania (JAR), a member of JA Worldwide®, and JA Europe. The programme implements economic entrepreneurial education, financial and professional guidance programmes in schools. In

Romania, these programmes are conducted in more than 1,600 public schools across the country, in which the activities of learning by doing conducted and interaction with volunteers from the business community, students acquire essential skills for life, have the opportunity to participate in international competitions.

The knowledge gained over years of study become more valuable as you can use them in real life. Competencies and experiences make the difference in business between a common job and a successful career.

ECO NET Programme

To be a successful entrepreneur does not have to be born with this skill, but you can become through education and by training your abilities.

In vocational and technical education in Romania, method of learning through a training firm was supplied by ECO NET project, developed within the Stability Pact for South Eastern Europe of the Organisation for Economic Cooperation and Development (OECD), the Ministry of Education and Culture and Kulturkontakt in Austria.

The overall objective of this project was the development of entrepreneurship among students involved in such activities by familiarizing them with the activities specific to real companies, training language specific to business, simulation of operations specific to business environment, and development of skills needed for an dynamic entrepreneur: decision making, critical thinking, taking responsibilities, teamwork, organization and self-assessment of resources.

All training firms in Romania are registered on Romanian Coordination of Training Firms (ROCT) platform

Evolution of training firms considering their object of activity in 2001-2014:

Indicators	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014
Number of existing FE	34	117	327	306	355	651	890	841	970	1017	1022	1160	1305
Trade	23	66	185	156	177	290	350	315	379	394	385	444	494
Tourism	7	16	25	83	90	158	230	251	260	286	264	313	358
Production	-	4	3	-	-	-	-	-	-	-	36	68	92
Local banks	3	3	-	-	-	-	-	-	-	-	-	-	-
Other services	1	28	114	67	88	202	310	275	331	337	339	335	344
Number of schools	3	32	58	66	63	128	146	154	197	203	217	240	270
Number of towns	3	28	46	47	45	81	98	104	126	128	140	150	166

Source: ROCT

From the statistical data it comes out that there is a very large increase in the number of training firms in the virtual market.

A spectacular increase in training firms occurred in the 2007-2008 school year, their number reaching 890. The share of training firms with the highest percentage of 39.33% have engaged in trade, a percentage of 34.83% in other activities, followed by those working in tourism in the percentage of 25.85%. This growth has continued in the following years.

Young people with an entrepreneurial education gained from their participation in the entrepreneurial programmes within the high school are more likely in the future to set up their own company.

At extracurricular level, students participate in national and international fairs of the training firms.

In 2015, the National College of Agriculture and Economy organized the first edition of the Regional Fair of Training Firms - 'Entrepreneurial Skills'

On April 7th National College of Agriculture and Economy organized the first edition of the Regional Fair of Training Firms'' - 'Entrepreneurial Skills'.

51 virtual training firms from several counties of the country participated in this competition, including 5 training firms belonging to the organizer college and a training firm from "Elena Caragiani" Technology High School, Tecuci, and coordinating teachers and local decision makers as well.

Through this fair, National College of Agriculture and Economy wanted to develop managerial and entrepreneurial skills

of students and recognition of their work promoting the concept of training firm locally and in the county of Galati and regionally, making transactions directly with other training firms.

Through involvement in the work of the training firms, local communities develop activities that provide added value to the area, working to develop the training and educational quality and the development and implementation of local projects.

Information from the press bulletin published by Tecuci Town Hall –TECUCEANU

As concerns entrepreneurial education at university level, initiatives and actions undertaken in our country are lower than those of EU member countries.

As an EU member, Romania is facing a number of requirements resulting from the need to face globalization, the tranzition to a new type of society, that is knowledge-driven society, the requirements to the education system.

In recent years, the idea for the university to take a “third” mission to contribute more directly to social and economic development. Universities have begun to assume a greater role in economic development based on science and technology, becoming strong innovation centers and regional leaders (Jan yout Philip Shapira, 2008).

In recent years, government authorities have encouraged universities to “commercialize the results of scientific research” and to participate actively in what is now called the knowledge economy (Codling and Meek, 2006).

In the context of an economic environment changing continuously in recent

years, universities have had to work for structural change in the education system to adapt themselves to new requirements of the business environment, managing to adapt the structures and the study and research programmes, and identify financial solutions for new courses. (Roşca, 2010)

Distance learning, short-term courses, continuous training programmes, led to the satisfaction of the new requirements of business environment and thus they led to the development of universities.

Educational offerings are increasingly less controlled by the state, they increasingly moving towards business requirements, NGOs, public institutions etc.

The role of high level education in entrepreneurship manifests much larger, beyond the transmission of knowledge and consists in the participation of consortia..

The dynamics of economic and social environment, as well as the impact of globalization were felt in the universities in our country after 1989.

Universities should develop entrepreneurship by developing some customized modules within undergraduate programmes. In this context, the European Commission in cooperation with the OECD developed a framework for universities with entrepreneurship spirit. This framework is intended to support entrepreneurial universities concerned that they can self-assess themselves.

Entrepreneurial education in high level education in Romania must be a systematic one as it is in the member states of the European Union, which have entrepreneurship university departments (Belgium), Master programmes in entrepreneurship (Denmark), centers of entrepreneurship development (Great Britain) that encourage

creation of enterprises based on the business ideas business resulted from students' projects.

Technical Universities in Romania, following the same path, are increasingly more concerned to extend through partnerships with companies and firms in the desire of discovering potential, managerial skills and promoting entrepreneurship among students.

We meet such experiences more and more often in universities in our country as well, developing research laboratories (Transylvania University of Braşov, USAMV Bucharest, Dunarea de Jos University, Galati), research centres (University of Oil and Gas, Ploiesti, University of Architecture and Urbanism in Bucharest, University of Ecology, Bucharest, Dunarea de Jos University, Galati), university research institutes (Hyperion University in Bucharest; in 1994 within Hyperion Foundation, Hyperion Institute of Research and Development was created, comprising more departments in correspondence with the faculty profiles; Vasile Goldis University in Arad founded the Institute for Studies and Research Vasile Goldis).

Conclusions

For the European Union, entrepreneurial education is a topic of great interest, which has been supported in the recent years by developing and implementing policies for development.

European Commission considers that entrepreneurship and SMEs are essential to relaunch the development of economic growth in response to the worst economic crisis in 50 years, by facilitating the emergence of new enterprises, the emergence of new jobs and through more developed entrepreneurial education.

Entrepreneurial education has an important role in the educational system, having a strong applicative character, as it does emphasize the size of the student's personality formation act. The purpose of the entrepreneurial education is to promote students' innovation spirit. Entrepreneurial education should provide students with information with which they understand the entrepreneur's place and role in market dynamics, can generate innovative ideas in business, to be able to foresee and resolve problems and risks that occur in running a business, to know where and how to find assistance and support to implement their business ideas.

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Management and leadership-features in the contemporary context

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Abstract: Currently, management and leadership are considered processes of influencing activities at a managerial and organizational level. Management implies the existence of individuals or groups of individuals who develop managerial activities. Leadership is a managerial process that aims to influence interpersonal relationships between team members due to the application of management functions. This paper aims to highlight some relevant features that define the concepts of management and leadership in a contemporary context. The main objectives of the study are: 1). presenting the main concepts of management and leadership; 2). analysing the role of leaders and managers in an organization; 3). highlighting main forms of manifestations of management performance; 4).presenting main influences of public management and leadership in the management of public organization. Leadership is not only a specific part of management, but also a state of mind, which creates an adequate framework for the manifestation of creativity and performance of a team led by a good leader in order for its members to succeed professionally and to achieve performance at an organizational level.

Key words: management, leadership, managerial performance, motivation, competitiveness
JEL Classification: M31

1. Introduction

This paper aims to highlight the main features of two complex processes, management and leadership. Contemporary management, conditioned by the development of technique and technology involves laying out decisions based on modern methods in order to make an optimal decision. Also, the process of leadership finds applicability at an organizational and managerial level. Leadership in a contemporary context aims leader's skills to emotionally involve a group of people in the joint achievement of tasks in order to reach a goal that can lead to the progress of the organization he represents. In this context, when talking about leadership one takes into account its informal side, and when talking about management one brings into question the manager's formal position in the organization.

In this paper I have:

- presented relevant aspects regarding the main concepts of management and leadership,
- analysed the role of leaders and managers in an organization,
- highlighted the main forms of manifestations of managerial performance and
- presented the main influences of public management and leadership in the management of public organization.

2. The importance of practising management and leadership at the level of an organization

Many specialists in the field believe that management is a creation of the twentieth century, words like "progress", "success", "prestige", "merit" or "power" being assigned to the word "management" (Constantin, D., Ionescu, S., 2003, p. 27).

Verboncu and Zalman (2005) believe

that "management, approached as both theory and practice, is, at this stage, one of the most important factors generating economic performance at the level of the company" (Verboncu, I., Zalman, M., 2005, p.8). Moreover, the same authors note that "functionality, efficiency and effectiveness depend appreciably on the quality, efficiency and effectiveness of management" (Verboncu, I., Zalman, M., 2005, p.8). In order to actually define the notion of "management" the following ideas emerge in literature review:

-management is the „instrument through which social, economic, technological, political and all human changes can be rationally organized and spread throughout the social body" (Zlate, M., 2004, p. 168);

-management is knowledge representing "a set of concepts, methods and means of solving management problems in all fields of activity in a society, including all its organizational levels" (Cornescu, V., Mihăilescu, I., Stanciu, S., 2003, p. 3);

-management as art is "linked to the manager's qualities because the results also depend on his experience, skills and abilities to attract people who will fulfil the objectives established", furthermore, art in management, means "knowing what to do" in order "to achieve a practical result (...)" (Neagu, C., 2004, p.14);

-management is practice "meaning that theoretical and methodological elements are operationalized at the level of the company and its structural or procedural components through specific decisions and actions" (Verboncu, I., Zalman, M., 2005, p.8).

Modern management is based on the synthesis of science, art and practice, so that the progress and success of an intelligent organization depend on the manager's ability

to lead and coordinate the activities undertaken. Applying skills acquired in time, managers need to combine knowledge with their talent to effectively lead an organization to meet its goals.

In a contemporary context, management is influenced by a series of factors such as (Cornescu, V., Mihăilescu, I., Stanciu, S., 2003, p. 12):

- innovation and technological progress;
- competitiveness on the internal and international market;
- use of new communication means in management activity.

In literature review a particular importance is given to the notion of "management process". Petrescu (1993, p.108) quoted by Cornescu, Mihăilescu and Stanciu (2003, p.17) notes that the management process represents "a set of interventions by means of which the manager plans, organizes, coordinates, makes decisions and controls the activity of his employees in order to achieve the goals of his economic unit in terms of high profitability and social utility". Therefore, the main functions of management are outlined, being presented for the first time in literature in 1916 by Henri Fayol. According to this author these are (Zlate, 2004, p.169): "planning (looking ahead and drawing up plans of actions); organizing (building organizational structures); commanding (maintaining at high level the activities and performance of employees); coordinating (correlating, balancing, unifying and matching all activities and efforts); controlling (supervising, guidance in order to comply with established rules and standards)". Subsequently, these functions were tackled and enlarged upon by different authors, but what is important to note is that they were a reference framework

in defining the main management functions. The concept of "management" is defined in literature review according to these functions. Thus, Daft (1994, p.8) quoted by Zlate (2004, p.170) presents a definition of management: "management is achieving organizational goals in an effective and efficient manner through planning, organizing, commanding and controlling resources".

Over time it is interesting how the concept of management has been defined in such a way that one can note a change of perspective regarding the pragmatic-processual view on management. Hence, Montana and Charnow (2000, p. 2) quoted by Zlate (2004, p. 171) outline a definition of management. According to these authors "management works with and through people in order to achieve both the objectives of the organization and its members". This definition brings forth an element of novelty in defining the concept of modern management as it relates to the fact that in a contemporary context, in an organization more importance is given to people and achieving personal objectives leads to achieving organizational objectives in the context in which the entire managerial activity focuses on results rather than on things and activities (Zlate, 2004, p.171).

In literature review great importance is given to management functions in managerial activity of the organization. Cornescu, Mihăilescu and Stanciu (2003, pp. 19-29) present these functions as follows: 1). The planning function - according to this function one sets goals and allocates resources and means to achieve them; 2). The organizing function - by organizing one "rationally and harmoniously combines all the elements of normal functioning of the organization: material resources, labour resources, financial resources

etc. (...)" 3). The coordinating function – through the coordination action managers synchronize their actions with the actions of all staff in order to achieve the established objectives; 4). The commanding action – refers to actions that focus on the human factor, managers and subordinates being directly involved in setting the organization's goals through motivation and assimilation of one's own objectives; 5). The controlling function – through this function results are evaluated by measuring achievements; also these achievements are compared to the objectives set and positive elements are distinguished from negative ones.

The idea according to which dissociation occurs between management and leadership emerges in literature review, although first findings show that there are no differences between the two concepts and that they overlap. Thus, it can be mentioned that leadership "reflects the human dimension of management, that side of it which makes it possible for the manager to influence, to determine the group he leads to work together on setting objectives and in particular to

achieve them" this aiming "not only at the operational side, but also at the emotional one, which rests on the authority of the manager, his human qualities, his native or acquired talent to lead people, to instil optimism and to put their heart and soul into the organization"(Cornescu, V., Mihăilescu, I., Stanciu, S., 2003, pp.221-222). The same authors believe that leadership is a component of management because management as a whole comprises a wider range of issues than leadership, if we consider the functions of the management process to gain an overview and to enclose leadership in this complex process, namely management (Cornescu, V., Mihăilescu, I., Stanciu, S., 2003, p.222).

In order to highlight a specific distinction between leadership and management Zlate (2004, p.175) presents some idiomatic aphorisms of some authors in literature. It also presents an eloquent definition: "leadership would rather be the human dimension, the side of involving and engaging in the activity, and management, the effective exercise of functions" (Zlate, M., 2004, p. 175).

Table number 1 – Idiomatic aphorisms regarding the two concepts: management and leadership

P.F. Drucker (1954)	Leadership = is doing the right things, Management = is doing things right
W. Bennis (1985)	Leadership does what is right, management does the right things
S.R. Covey (1989)	Leadership determines whether the ladder is leaning against the right wall, is efficiency in climbing the ladder of success

Source: Zlate, M. (2004) *Leadership and management*, Polirom Publishing House, Iași, p.175.

Cornescu, Mihailescu and Stanciu (2003, pp.222-223) briefly present the main factors of influencing leadership both in terms of state of mind and as managerial process, as follows:

- "personal traits of leadership": charisma plays a special part in this context because successful leaders are charismatic leaders who inspire, through their charm and enthusiasm, the organization's members to act in order to achieve certain purposes;

- "leader's knowledge": the leader's ability to absorb information and to entwine them with general knowledge, but also with a solid training in management, computer science, economics, marketing issues, propels him to a strong position, turning him in an authentic leader;

- "the organization's state" – one can discuss leadership only if within the organization there is a group or groups of people with certain qualities and abilities, the manifestation of the leadership process being underlined in accordance with the organizational climate and the organization's culture;

- the "external environment": where the organization deploys its activity is an important factor and "the leader's ability to influence depends on it"; the external environment can be favourable to undertaking managerial activities, but it can also be turbulent, changing, and even hostile.

Literature presents a "formula" which highlights the most important skills of a leader, namely:

Figure number 1:

Leadership = vision×motivation×impetus

Source: Landsberg, M. (2005), *Leadership*, Curtea Veche Publishing House, p.7.

According to this "formula" a leader who has a well-defined vision, motivates the team he leads and acts with enthusiasm, he is a good leader who will lead the organization to progress and success.

Brătianu, Dima, Vasilache and Orzea (2011) consider that leadership is "a process based on the reasoning and emotional power to influence people to make a change, to achieve a particular purpose" (Brătianu, C., Dima, A.M., Vasilache, S., Orzea, I., 2011, p. 56). The same authors present the concept of management as it follows: "management is the process through which an organization achieves its objectives efficiently and effectively" (Brătianu, C., Dima, A.M., Vasilache, S., Orzea, I., 2011, p. 54).

Hence, it can be mentioned that the implementation of management and leadership processes is particularly important to achieve in an intelligent organization, which is run in a contemporary changing environment towards achieving the objectives set.

3. Roles of leaders and managers in the organization's managerial activity

Companies operate in a changing and unexpected business environment, facing various technical, technological and managerial obstacles which they must face in order to grow and survive. Therefore, in this context, the role of managers and leaders is vital because it is necessary for them to make the best decisions and initiate specific actions that allow taking advantage of favourable situations by creating an organizational climate adequate for the manifestation of business environment characteristics.

Table no. 2 shows the main differences between leaders and managers, as they appear in literature.

Table number 2: Differences between leaders and managers

Criteria	Leaders	Managers
Purpose	They show personal, active attitudes	They show impersonal, passive attitudes
Concept regarding work	They stimulate work, they offer and create possibilities for choosing it	They coordinate, balance work. They resort to value compromise
Relationship with others	They are empathetic, they pay attention to the significance of actions and events	They don' t really get involved emotionally in the relationships with others
Self Perception	They have a weaker self-identity and they are change-oriented	They identify with the need to maintain present order, they are more conservative

Source: Zlate, M. (2004), *Leadership and management*, Polirom Publishing House, Iași, p.174.

Constantin and Ionescu (2003) believe that "in order to be an effective leader, managers need to take on the role of leaders" because "practice has shown that a manager's position a leader's skill and that the leader should be a representative of management" (Constantin, D., Ionescu, S., 2003, p. 42).

Cornescu, Mihăilescu and Stanciu (2003, p.220) show the position and the role of the manager in the organization and how he is perceived by subordinates:

- the manager is "a model to subordinates and employees in terms of professionalism, behaviour and attitude";

- the manager has the ability to develop a specific leadership style closely related to his personality and experience, to act in concrete situations in certain contexts;

- the manager must not forget that he is working with a team, and the results the manager represents his team being its image outside, enjoying the success obtained and

assuming a possible failure obtained are not only his, but also theirs;

- the manager represents his team being its image outside, enjoying the success obtained and assuming a possible failure;

- the manager, through his behaviour, must provide his team with a pleasant working atmosphere, adequate for the manifestation of creativity, he must promote novelty; he must also be creative, ambitious and tenacious;

- the manager must be himself and set aside that he is the one in charge because he cannot be a leader for life, therefore he must act fairly, effectively and competently in all situations;

- the manager must provide "a climate favourable to quality work" and he must be able to develop the team's members professional skills;

- the manager must continuously improve, to help the development of managerial culture in the organization and to ensure

exceptional training of the subordinates he leads.

The leader's position in the organization is also presented in literature, his main features being distinguished as follows (Constantin, D., Ionescu, S., 2003, pp.57-58):

- an effective leader estimates time, considering it the most precious resource he has, being constantly concerned with its rational use;

- an effective leader sets an example for subordinates and collaborators working with passion, confidence and pleasure;

- an effective leader acts promptly in making decisions;

- a good leader is "prompt in using the opportunities that arise for affirming and empowering the organization's position";

- a good leader seeks to identify problems and solve them in an effective manner; he does not abandon solving problems that seem hard to solve, waiting for the right time to solve them;

- a good leader "practices systematic leadership" being primarily concerned with

making fair and honest decisions on issues related to the team.

Brătianu, Dima, Vasilache and Orzea (2011) consider that "leaders have the ability to resonate with emotional states of the people around them and with their requirements" (Brătianu, C., Dima, A.M., Vasilache, S., Orzea, I., 2011, 57).

4. Manifestation forms of managerial performance

Noyé (2002, p.6) quoted by Verboncu and Zalman (2005, p.63) believes that performance lies in "reaching goals that were assigned to you in convergence with the company's orientation". Therefore, "performance is not a mere finding of an outcome but rather it is the consequence of a comparison between outcome and goal" (Verboncu, I., Zalman, M., 2005, p.63). Also, Verboncu and Zalman (2005, p. 78) define managerial performance in four categories, namely: decision-making performance, informational performance, organizational performance and methodological performance.

Succinctly they can therefore be presented as follows:

Table number 3: General managerial performance

Categories	Performance criteria
1. General managerial methodological performance	- degree of scientizing of the company's management - degree of "participation", "involvement" of managerial tools in the exercise of management processes -managers' competence
2.General decision-making performance	- degree of decision solving issues which the company faces -degree of implementing decisions
3.Overall managerial informational performance	- degree of meeting information needs of managers at a superior, middle and lower level - degree of meeting information needs of subordinates
4.General organizational performance	- degree of processual insurance of objectives - degree of structural-organizational coverage of work processes involved in achieving objectives

Source: Verboncu, I., Zalman, M. (2005) *Management and performances*, Universitară Publishing House, pp. 78-82.

Specific managerial performances are presented in literature as follows (Verboncu, I., Zalman, M., 2005, pp. 83-91):

I). Methodological-managerial performance - performance criteria:

-“quality of managerial tools”;

-“quality of methodologies for design, operation and maintenance of management operation and its components”.

II). Decision-making performance - performance criteria:

-“quality of managerial decisions: the scientific foundation, “empowerment” of decision, the appropriateness of the decision, integration in microeconomic decisions, adequate formulation of decision”;

-“adoption and enforcement opportunity of core decisions, competence of decision-makers, realistic goals etc.”

III). Informational performance - performance criteria:

- “quality of information: realism, dynamism, collection, recording, transmission and processing in due time”;

-“quality of information circuits and flows: length, content and costs of information transmission”;

-“quality of means of dealing with information: the degree of computerization of work processes”;

-“quality of informational documents: completion and transmission frequency, degree of computerization in dealing with information”.

IV). Organizational performance – performance criteria:

- processual organizing;

- structural organizing;

- “degree of human endowment of positions and departments”.

5. Influences of public management and leadership in the management of public organization

Băcanu (2008) believes that “public management transfers a series of features to public organization management by virtue of the relationship that exists between the public sector and the public organization, as well as through the dependence of the same powerhouse that is the state, customized by government” (Băcanu, B., 2008, p. 31). Public organization is run by specific rules and its management focuses on ensuring functioning according to these rules. Furthermore, it must oblige a set of rules, which are at the basis of the company’s vision. Currently, “managerial approach in public management is represented by a consistent amount of economic and managerial concepts”, among them one can highlight concepts closely related to “core values, efficiency and effectiveness” (Băcanu, B., 2008, p. 35). In the future, what is desired by specialists in the field is the transfer of rules and principles from a company to a public organization to significantly improve its progress and performance (Băcanu, B., 2008, p. 35).

A leader is expected to produce changes in public organizations that embrace change, being able to identify him only in high positions. Thus, one advocates change and sends signals to those who are entitled to decide.

Băcanu (2008) believes that “leaders are useful in key positions of major public companies” their role being “to achieve an adaptation to environmental signals and prepare sequential changes whose architects they are expected to be” (Băcanu, B., 2008, p. 123). Once accepted into the public organization, the role of the leader is to change mentalities and to provide a modern vision that will help

develop the organization through the polarization of all team efforts.

6. Conclusions

In our country, leadership development and modern management based on efficiency and effectiveness should be a priority based on efficient principles and a modern vision. A good leader and a good manager must practice a flexible management style that will inspire subordinates, who can therefore obtain performance that can lead to the achievement of objectives at the individual level, but also organizational one.

An organization's key to success is the ability of a leader, but also of a manager to

turn seemingly intractable tasks in achievable actions. A good leader and a good manager must convey enthusiasm and impetus to their subordinates for them to succeed in achieving everything they set forth to accomplish.

In a modern society in which there are frequent changes full of dynamism, it is important to find the best solutions to adapt. In this context, management functions reveal the connection between the two concepts, management and leadership. By effectively implementing management processes and principles of leadership one can achieve the desired performance and success at both the individual and organizational level.

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Green Agriculture - features and agricultural policy measures for the transition to a sustainable agriculture

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Abstract: Agriculture is one of the most important economic activities in each country or area, as it is in close correlation with all other the other economic activities, in a whole which must be structured so as to achieve a more efficient planning and organization of the territory. The practice of a traditional agriculture, based on industrialization, affects the natural environment through emissions of pollutants, waste and deforestation which together affects biodiversity. Green Agriculture suppose to empower managers to widespread the use of fertilizers, to improve the crop rotation, to realize a more efficient water consumption, to improve the storage methods and the supply chain of products. Agricultural policies are closely inter-related with environmental policies as agricultural activities have a considerable influence on the environment. The efficiency of agricultural policies is reflected in monetary transfers between agriculture and other economic sectors, in the costs due to the reallocation of the resources between different agricultural and non-agricultural activities and in the realized gains. Currently there is a constant concern of the governments for the transition to a green agriculture, and most countries recognize the importance of achieving sustainable economic development.

Keywords: green agriculture, traditional agriculture, innovations, food and agricultural policy, subsidies, taxes.

JEL Classification: H23, K22, O21, Q11, Q12, Q13, Q17, Q18, R14

1. Introduction

Sustainable economic development is clearly an objective and indisputable requirement of the present society. An important element of this is the transition to another type of economy, more efficient and friendlier to the environment, the new green economy, which seeks to improve living conditions and to reduce social inequalities in the long run, to reduce negative externalities and market failures. All management strategies applied by individual decision-makers and also by the state in order to achieve economic growth, should take into account the concern for the resources of all kinds that which will be used by the future generations, by proposing changes in all economic sectors, which will have also the advantage of creating new jobs in emerging green areas.

This article aims to underline the importance to introduce the principles of green economy, which, along with other benefits obvious, has an important effect on the leaders, improving their image in the community. By reducing social ethical implications of the strategies they follow, they can be considered best representatives of "Corporate Social Responsibility". "Leading companies are increasingly adopting CSR as an integral element of their business strategies, recognizing that CSR can yield tangible business benefits. Such benefits include cost savings, greater" access to capital, enhanced productivity, enhanced product quality (through enhanced employee morale and better working conditions), attraction and retention of human resources, enhanced reputation and brand, and reduced legal liability" [4] "CSR can also increase the accountability and transparency of organizations to society through the use of a variety of communication instruments,

including stakeholder engagement, product information and reporting systems. Reporting trends today are moving towards the development of integrated environmental, social and governance reporting (see, for instance, the revision process by the Global Reporting Initiative (GRI) of its guidelines for sustainability reporting, available at www.globalreporting.org). In addition, international management standards such as the ISO 14000 series on environmental management and the recently adopted ISO 26000 on social responsibility offer an increasingly referenced framework for action." [10]

The paper presents the most important issues concerning the transition towards a green economy, covering all areas and important economic sectors in the new economic policy strategies, and individual management in: agriculture, fisheries, mining and manufacturing, construction of the green buildings, transport, tourism, finance and education. They are useful both internal and international cooperation actions between all the economic entities which are involved in this process, having discussions and decide strategies at the international level. Of course, the evaluation process of the opportunities for one or another economic policy strategy, the evaluation of the economic policy instruments are important, along with goals and with the issues related to the costs of their implementation relative to the time periods involved and with items related to the traditions and to the culture of each country, that are influencing the consumer behavior by creating a local specific.

One of the most important instruments of economic policies of the state is the adoption of a legislation that would facilitate this transition, including the regulation of

property rights. Are essential also the subsidies given by the State, which have the aim to promote the green innovation. The State can also support the loan process, allowing faster and more effective funding. In order to implement these goals, it is necessary to improve the calculation of all the macroeconomic indicators which are included in the System of National Accounts so that they reflect more and more the contribution of each sector in developing the principles of the green economy and the adoption of some measures by the States which can make these areas more attractive to those who are willing and able to invest. They have a basic role both Governments and non-governmental organizations, the private sector, including the small and medium managers and enterprises. Finally, a special importance is given at the changes in education and training of labor force.

2. Literature Review

In the book "Agricultural Subsidies in the Green Box, Ensuring Coherence with Sustainable Development Goals" [6], the authors Ricardo Melendez Ortiz, Cristophe Bellmann, Jonathan Hepburn stress that, considering the specific case of different states, there are numerous economic and extra-economic factors that can foster the transition towards a sustainable agriculture or, whether, it can slow it down: „By 2002, two Member States (Luxembourg and Finland) has just about all of their agricultural area enrolled in agri-environment schemes, and Sweden and Austria had over 80 per cent. No other Member State had more than 80 per cent (France). By, contrast, Netherlands and Greece had less than 5 per cent. The EU15

average was about 15 per cent (European Comission, 2005:7). These widely divergent figures reflect different historical practice (Austria, Finland and Sweden being the 1995 entrants with providing the EU Commisioner for Agriculture and Rural development from 1995 to 2004), topographical features, preferences and budget allocations, for rural development funding.”

In "Green agriculture new technologies" [5], the author Irfan Ali Khan shows that worldwide it is necessary to make some changes in the strategies for the agricultural development, heading towards the green, sustainable agriculture: "After this prolonged dependence on inorganic and mineral components of agriculture growth there has been an increasing demand for rethinking agricultural growth strategy. Agriculture sustainability, soil degradation (soil productivity and soil structure), bio-diversity, impact on human health and on environment as a whole are the some of the concerns that are being raised for the reviewing part of the agricultural growth potential based on the current strategy. Search for alternates with the focus on the long-term sustainability of the agriculture has been enhanced in the last decade”.

In the book "Sustainable use of Phosphorus" [8], the authors J.J. Schroder, D. Cordell, A.L. Smit, A. Rosemary stresses the importance of using with more efficiency and prudence all the chemical fertilizers in agriculture, because they are harmful both for soil and plants and animals and thereby affect food safety: "An important aspect of sustainable phosphorus use is that recovery of phosphorus from waste streams is not just needed to reduce water pollution, but for the sake of sustainability phosphorus must be recovered in an uncontaminated

and plant-available form... As sustainable phosphorus use will sooner or later become essential for global food security, action is needed."

In „Towards a Green Economy. Pathways to Sustainable Development and Poverty Eradication" [10], emphasizes the need for gradual transition of all states to green farming, which means a better involvement of all the agricultural producers, Governments and other economic subjects which are involved in this process, an improvement of the legislation. A particular importance has the State agricultural policy in which must be analyzed the costs of the transition and also the benefits resulted from it: „Green agriculture could nutritiously feed the global population up to 2050, if worldwide transition efforts are immediately initiated and this transition is carefully managed. This transformation should particularly focus on improving farm productivity of smallholder and family farms in regions where increasing population and food insecurity conditions are most severe. Rural job creation would accompany a green agriculture transition, as organic and other environmentally sustainable farming often generate more returns on labour than conventional agriculture. Local input supply chains and post-harvest processing systems would also generate new non-farm, value added enterprises and higher skilled jobs. Higher proportions of green agricultural input expenses would be retained within local and regional communities, and the increased use of locally sourced farm inputs would substitute for many imported agri-chemical inputs, helping to correct developing countries' foreign trade imbalances. Ecosystem services and natural capital assets would be improved by reduced

soil erosion and chemical pollution, higher crop and water productivity, and decreased deforestation. A greener agriculture has the potential to substantially reduce agricultural GHG emissions by annually sequestering nearly 6 billion tonnes of atmospheric CO₂. The cumulative effect of green agriculture in the long term will provide the adaptive resilience to climate-change impacts. Investments are needed to enhance and expand supply-side capacities, with farmer training, extension services, and demonstration projects focusing on green farming practices that are appropriate for specific local conditions and that support both men and women farmers. Investments in setting up and capacity building of rural enterprises are also required. Additional investment opportunities include scaling up production and diffusing green agricultural inputs (e.g. organic fertilisers, biopesticides, etc.), no-tillage cultivation equipment, and improved access to higher yielding and more resilient crop varieties and livestock. Investments in post-harvest storage handling and processing equipment, and improved market access infrastructures would be effective in reducing food losses and waste. In addition to production assets, investments are required to increase public institutional research and development in organic nutrient recovery, soil fertility dynamics, water productivity, crop and livestock diversity, biological and integrated pest management, and post-harvest loss reduction sciences. Secure land rights, and good governance, as well as infrastructure development (e.g. roads, electrification, the internet, etc.) are critical enabling conditions for success, especially in the rural sector and particularly in developing countries. These investments would have multiple benefits across a wide

range of green economy goals and enable the rapid transition to greener agriculture. Public policies are needed to provide agriculture subsidies that would help defray the initial transition costs."

The author Mircea Duțu in "Environmental Public Policy" [3] stresses: "A major problem in the contemporary is the regulation of the agricultural biotechnology (headed by GMOs) so as to integrate the sustainable development requirements. Finding the balance between economic, social and environmental interests implies a transformation of the current formulas of production, consumption, life and interrelations..... The reasonable application, associated to a guarantee of the security in the development, application, exchange and transfer of biotechnology, become a component of the sustainable agriculture concept. "

3. Traditional agriculture versus green agriculture

Agriculture involves a series of production activities in areas with very different characteristics, activities that are very important because they are much more spread in the territory than the industrial activities or the services. Wherever the activities are located, there are some common elements, linked to the need to ensure an adequate complex of natural, social, economic conditions. In addition, all these activities require the development of behavioral patterns of producers. The gradual transformation of the agriculture from a traditional and industrial one to a green agriculture requires a series of efforts by the State and by the managers of the individual production activities from this branch. On the other hand, there are needed

some changes in the patterns of the population consumption of the agricultural products, that require some reforms in order to slow the degradation and the enhance of the natural production factor and, secondly, in order to help its more efficient use in production and to lead to a green consumption.

Agriculture should not be analyzed independently of the other economic activities of a country or area, but as an activity which is closely correlated with the other, aiming at a more efficient planning and organization of the territory. Increasing urbanization has had the effect of reducing the share of agriculture in the total national production, particularly in more developed countries. It remains, however, a fundamental economic sector because agriculture can provide feeding the population.

Traditional, industrial agriculture is using mostly inputs from non-agricultural sector, is energy-intensive and it's high productivity relies on chemical fertilizers and a high percentage of fixed capital which is used extensively. It results an increase of the negative effects of the production process on the environment. The practice of a traditional agriculture, based on industrialization, affects the natural environment through emissions of pollutants, waste and deforestation which together affect biodiversity.

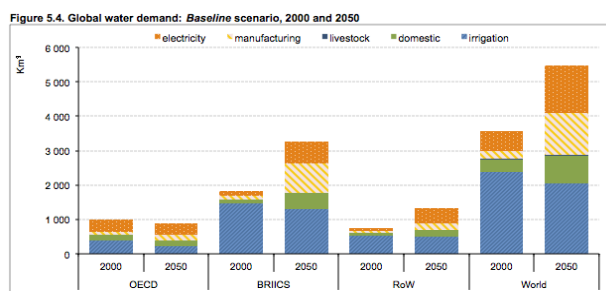
The share of the agriculture in GDP varies in 2013 from under 1% in high-income countries such as Germany, United Kingdom, Belgium, Luxembourg, Switzerland, Hong Kong, Singapore, Bahrain, United Arab Emirates, to a share above 25% in low-income countries such as Central African Republic, Ethiopia, Guinea Bissau, Kenya, Kiribati, Liberia, Madagascar, Nepal, Pakistan, Rwanda. Currently there are wide

differences between countries regarding labor productivity in agriculture. In the most developed countries, with the highest income, the labor productivity in agriculture was, in 2005, more than 90 times higher than in the countries with the lowest incomes and the gap is increasing. Although regarded as a general trend, productivity has been rising at the global level, it has not clearly determined the improvement of the standard of living of the population. In 2015, about 51 million children under five years were too weak for their age, representing an average of nearly 8% of all preschool children, with extreme differences between states (for example, in Bangladesh, this percentage reaches 51.5%).

Currently, losses caused by harmful substances, by problems of storage and distribution chain are high: from the daily production of 4,600 kcal/person/day are reaching in the consumption only 2,000 kcal/person/day. "In Africa, governments publicly committed in the Maputo Declaration of 2000 to spending 10 per cent of their GDP on agriculture, including rural infrastructure spending (UNESC ECA 2007). However, only eight countries had reached the agreed level by 2009 (CAADP 2009)." [10]

An important issue that must be improved is the water consumption in agriculture, especially the water used in irrigation.

Chart 1. Global water demand between 2000 and 2020



Note: this graph only measures blue water demand (see Box 5.1) and does not consider rainfed agriculture.

Source: <https://www.google.ro/search?q=uso+dell%27acqua+in+agricoltura&espv=2&biw=1152&bih=792&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwj0su7cqLJAhVBsCwKHau2CiIQsAQILQ#imgrc=iHrxlwALai4SfM%3A>

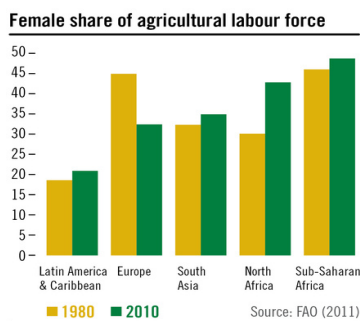
It should be noted, however, that only about one fifth of the total arable land is irrigated worldwide, but they, being more productive, makes about a third of global agricultural production. Irrigation is necessary not only in arid areas but also in those where heavy rain which desired to obtain a significant increase in the agricultural production and also in areas where there are large variations of rains from one period to another. Along with irrigation, desertification affects

very much the soil. Desertification is caused by climatic factors but also by improper irrigation, by an overexploitation of pastures, by distortions in the production and by needs caused by the international trade. Given the fact that desertification affects over 70% of total agricultural land and is present in approximately 100 countries, in 1996 the U.N. considered necessary to adopt a program to combat desertification, program which entered into force in the same year.

Along with the required improvements regarding the capital production factor, they are important also the improvements relating to the labor factor, not only qualitatively but also quantitatively and structurally. Because of the population migration from rural to urban areas, it was observed a worldwide prevalence of the female labor in agriculture. In

some countries these disparities are very disturbing. According to World Bank and FAO, in 2011 over 45% of the labor force in agriculture was represented by women in Sub-Saharan Africa. In general, the countries that are most affected by these processes are affected more also by climate change.

Chart 2. Female share of agricultural labor force in 1980 and 2010



Source: <https://www.google.ro/search?q=uso+dell%27acqua+in+agricoltura&espv=2&biw=1152&bih=792&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwj0su7cqgLJAhVBsCwKHau2CiIQsAQILQ#tbn=isch&q=share+of+population+in+agriculture+&imgsrc=o26Ek9X9oZRSIM%3A>

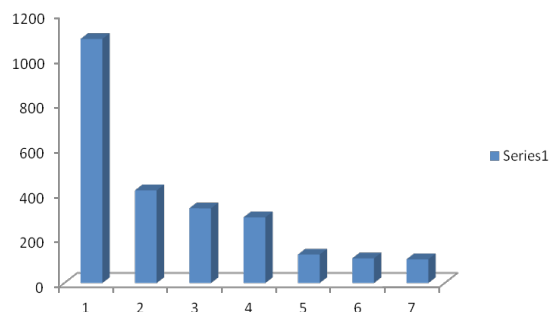
Migration from agriculture to other economic sector has both positive and negative effects. Among the positive effects, the most obvious are raising output and the rate of wages for migrant population. As negative effect, the most important is that this migration requires, for the labor force, a higher level of specialization, which is not feasible in practice for all individuals. As this phenomenon affects also the producers, the State has to adapt their development policies and economic growth to the new situation. In the sectors where goes the labor force which migrated from the agricultural sector, the individuals must demonstrate that they can adapt to a higher intensity and time of work, which are very different from those from

agricultural activities. Apart from internal migration in recent years, there is a increasing trend of the international migration of the labor force, with many characteristics, including migration from countries with a predominantly agrarian economy to countries with a developed industrial economy.

An important factor is the widespread migration from rural to urban areas, affecting very much the land because urbanization is producing soil cementation and is causing overexploitation of land.

The countries with the largest output in agriculture are, in 2015, in billions of US dollars, China (1088), India (413), EU (333), USA (293), Indonesia (127), Brazil (110), Nigeria (106).

Chart 3. Countries with the largest output in agriculture in 2015 (billions of US dollars)



1 = China, 2 = India, 3 = E.U., 4 = U.S.A., 5 = Indonesia, 6 = Brazil, 7 = Nigeria

Source: Processed by author

According to Umberto Toschi, agricultural activities are subject to both the influence of external and internal factors, among which: the irrigation system, the organization of the systems of production and distribution, providing bonuses to the purchase of certain areas of land, fixed capital used. John Harris Paterson identifies as basic socio-economic factors with negative influence: lack of capital, lack of leadership, faulty structure of land ownership, prejudice, ignorance [9].

Over time, in agriculture were made important changes on the organization and management of work, on the quantity and quality of cultivated areas. In the last two decades, it was observed a growing global trend to increase farm size and an increased concern for improving legal regulations on property titles.

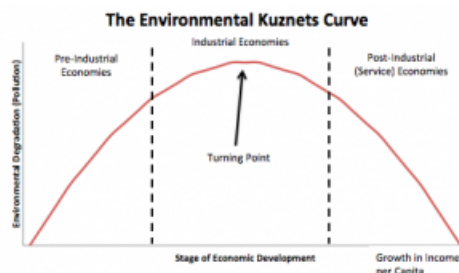
Today, we can talk about real agricultural systems, in which innovations have the

most important role and in which there is an increasing dependence and

complementarity to the industrial sector and services sector. Dependence refers to the trade with inputs and products and complementarity refers to the opportunity to work in parallel in agriculture and in one of another sector and to use the revenues earned in these different sectors. . "The way the world grows its food will have to change radically to better serve the poor and hungry if the world is to cope with a growing population and climate change while avoiding social breakdown and environmental collapse." [12].

It can also be defined the ambiental economy analyzed by S. Kuznets, which attempts to internalize the negative externalities on the environment by using market mechanisms, in particular through the taxes.

Chart 4. The Environmental Kuznets Curve



Source: <https://www.google.ro/search?q=uso+dell%27acqua+in+agricultura&espv=2&biw=1152&bih=792&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwj0su7cqLJAhVBsCwKHau2CiIQsAQILQ#tbm=isch&q=curba+ambientala+a+lui+Kuznets++&imgsrc=coRkgj2itmzczM%3A>

Environmental Kuznets curve illustrates the link between CO₂ emissions per unit of GDP and the GDP/capita. It is represented on a logarithmic scale and shows that up to a certain level of the income, the emissions rise as GDP growth, and above this level emissions are reduced by market forces as a result of monetary policy measures, in particular of the technical progress and of the reduction of the pollution costs. The main criticisms for this model refers to the fact that the curve was based on data collected from a group of countries, which do not allow specific analysis of each individual country and it does not take into account the irrevocability of some processes.

Green Agriculture means empowering managers to widespread the use of natural fertilizers, to improve the crop rotation, to improve the efficiency of the water consumption, to improve the storage methods and the supply production chain. The most important scientific research aims to select the most productive and resistant seeds, to improve the physical – climate limitations, to use a modern biotechnology system.

Green Agriculture allows to increase the nutritional factors and to ensure the products for consumption for a greater share of the world population, contributing to poverty

reduction. The changes required by the transition process to a green agriculture are the increasing of the investments for: “soil fertility management, more efficient and sustainable water use, crop and livestock diversification, biological plant and animal health management, an appropriate level of mechanisation, improving storage facilities especially for small farms and building upstream and downstream supply chains for businesses and trade. Capacity building efforts include expanding green agricultural extension services and facilitating improved market access for smallholder farmers and cooperatives.” [10]. In addition to the benefits that has the green agriculture on the environment should be taken into consideration the possibility to create new jobs in agriculture, the green jobs.

The managers must face not only to problems related to the production supply, but also to the demand and the consumption of these products. Consumption is significantly influenced by all the changes in the prices of agricultural products, which have a growing trend, especially in the last decade. This trend is largely due to the limitation of the land as a production factor, to the increasing water demand for ever more economic activities, the most affected being the

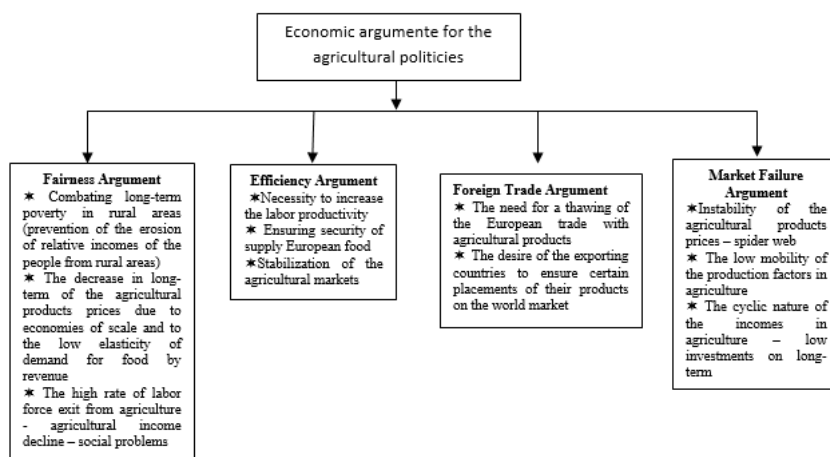
countries being those from Africa, South Asia and West South America. The consumption of agricultural products will change considerably until 2050, according to FAO studies, mainly due to the migration of population from rural areas to urban areas, which causes changes due to different diets, different life-style and different ways in which consumers have access to the food.

4. Agricultural policies for a modern and greener agriculture

Over time, the public authorities made numerous agrarian reforms that were necessary especially when there were serious imbalances between supply and demand of labor force in this field. Instead the traditional reforms, today States enact "rural planning", which refers at controlling natural environment, at the development of rural areas, at creating new jobs, at designing in the rural areas recreating activities for the urban population, at improving life standards of the rural population, at the urbanization

process control, at improving the access to jobs, markets and services, especially medical services and education. Public authorities should review the legal requirements so that, together with supporting green agriculture, improve the system of selling agricultural plant and animal products on domestic and international markets. Government expenditures dedicated to this sector should be increased, so that producers, especially the small and medium ones, can receive the necessary subsidies, and also measures relating to the demand for such products. Establish some incentives for farmers who reach the highest standards of products quality would also be important. However, it is generally observed worldwide, that in the economic policy decisions there is a reduction of the funds allocated to agriculture. The constant concern of Governments to promote the green, sustainable agriculture, nevertheless resulted in a growing trend of the organic crop to around 6% in 2010. In the European Union, these surfaces reached almost 10 million hectares in 2011.

Chart 4. Economic arguments justifying the existence of agricultural policies are [1] (page 131):

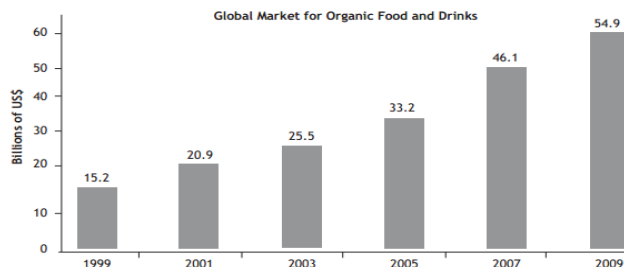


Source: C. Angelescu, C. Socol, "Politici economice. Politici de creștere economică. Politici sectoriale", Editura Economică, București, 2005, pag 131, ISBN 973-709-132-9 Source: C. Angelescu, C. Socol, "Politici economice. Politici de creștere economică. Politici sectoriale", Editura Economică, București, 2005, pag 131, ISBN 973-709-132-9

The efficiency of agricultural policies can be determined based on the economic or monetary transfers between sectors based on comparison of the costs involved by reallocating resources between different activities and realized gains from them. In particular, agricultural markets need state intervention

because they are characterized by a suboptimal allocation of the resources. The main tools that are State taxes/fees and subsidies, aiming to obtain positive effects on the agricultural production, the efficient functioning of the markets and the international trade with such products.

Figure 1: Global Trade in Organic Food and Drinks (1999-2009)



Source: The global market for organic food and drink, Organic Monitor, December 2010

Source: <https://www.google.ro/search?q=uso+dell%27acqua+in+agricoltura&espv=2&biw=1152&bih=792&tbm=isch&tbo=u&source=univ&sa=X&ved=0ahUKEwj0su7cqqlJAhVBsCwKHau2CiIQsAQILQ#tbm=isch&q=global+trade+in+organic+food+and+drinks&imgsrc=DNfOWJ7rbAsxbM%3A>

Through awareness-raising measures recently increased the global trade and the global consumption of organic products, sustainably produced food.

One of the measures of economic policy in this area, mostly practiced in developed countries is to support agricultural prices above the market equilibrium level, which determines an oversupply, while in developing countries States are pursuing support prices below the equilibrium price, which, however, causes an excess of the demand. To mitigate the negative effects, Governments must take parallel measures for facilities in lending process. The State may also adopt economic policy measures to guarantee the purchase by the State of the agricultural surplus goods at that price. In both cases, producers are more advantages than consumers and the State itself.

Subsidy policy covers multiple aspects such as [1] (page 139): “subsidizing producer prices, subsidizing production, setting the target price and compensation for producers to expand export capacity, subsidizing consumers, input-subsidizations in agricultural production.”

The State can intervene by adopting favorable policies regarding the agricultural credits through interest rate subsidies, which has the effect of increasing demand for loans or for credits or through the exchange rate policy in order to overvaluation of the exchange rate. Also, trade policy measures can be fixed in agricultural import taxes or import quotas.

The advantages of Romania, due to the existence of favorable natural conditions and suitable for a development of an agriculture based on ecological principles are diminished

by certain negative elements, mainly related to agricultural market mechanisms, to the large share of consumption, to the insufficient subsidies. These transformations suppose also some risks. Regarding Romania, it results from a study based on the regions of the country that there is: "a greater percentage of employees than for entrepreneurs who prefer a safe workplace but less well paid than one insecure but better paid. From this we can conclude that entrepreneurs are generally more oriented towards taking various risks involved in achieving higher incomes." [2] However, Romania's agricultural policy must adapt to the principles of the EU's agricultural policy.

Agricultural policies are closely inter-related with environmental policies in general because agricultural activities have considerable influence on the environment. Environmental policies have evolved from the bottom-up policies, in which a central role had the forces at local level at the top-down policies, where the key role lies on central bodies, and currently, at the multilevel governance policies, which involve a large number of companies, both local and central. Public policies on are using administrative techniques, which refers to norms, prohibitions, licensing and stimulating economic and fiscal instruments. In Romania, the first regulations of environmental policies dating from the fourteenth century, and after 1990, the first national strategy for sustainable development was developed between 1997-1999 which followed the National Development Plan 2007-2013 and later National Strategy for Sustainable Developing of Romania. Horizons 2013 - 2020 - 2030.

The first environmental concerns of the European Union's agricultural policies

have been included in the Green Book (Livre Vert) of the European Commission in 1985 which set aid for farmers which have a consistent activity with the requirements of the protection of the natural environment. The Maastricht Treaty of 1992 established the introduction of ecological principles in all EU economic policies. As a result, in the same year, the Common Agricultural Policy, CAP was reformed. In "Environmental Public Policy" [3], there are some of the principles from Regulation (EC) no. No 1782/2003 of 29 September 2003: "farmers who do not comply with certain requirements in the field of public health, animal health and plant health, environment and animal welfare are subject to reductions or exclusion from direct support." There are also emphasized the importance of bio-energy, efficient use of water and protection of biodiversity. In Regulation (EC) no. 73/2009 of 19 January 2009, are decided common rules for direct aid to farmers.

As outlined in the "OECD (2013), Policy Instruments to Support Green Growth in Agriculture, OECD Green Growth Studies" [11], although most countries recognize the importance of achieving sustainable economic development in conditions as environmentally friendly, there are not exist many consistent strategy in this area, and most of them are on a very long-term. Although each state has tried shaping their own strategies based on their specific conditions, it seems that the most important issues are the cooperation between all the domestic internal economic agents, and sometimes the lack of concern of the authorities which should carry out the established strategies. In addition, it was noted that in most countries has been achieved a preference for introducing some elements of the green economy, especially

in terms of renewable energy, but the focus was not on achieving economic growth in the context of transition towards a green economy. In some countries, economic policies for the transition to a green agriculture were not very well correlated with the other economic policies, so they have produced opposite of the desired effect in reality. It was also found, as a positive element in the OECD countries, that the new economic policy instruments widened their scope, targeting new fields such as informal areas and education.

The conditions from which starts Romania the process of modernizing agriculture are relatively weak. "Romania is still characterized by very high share of the population employed in agriculture (25.4%), which puts it in first place in the EU-28, far from the following countries ranked, Greece (13.0%) and Poland (11.2%)" [17]. On www.mediafax.ro, states that in the year 2013, Romania had 7.6% of the utilized agricultural area in the European Union, being surpassed by France with 16%, Spain 13.6%, UK 9.7% Germany 9.6% and Poland 8.3%. Romania holds about a third of the total number of agricultural holdings of respectively 3.63 million, more than Italy, Poland and Spain. The total utilized agricultural area in Romania in 2013 is 55.7% belonged to the farm unincorporated farms, such as family businesses, individual businesses and freelancers. Therefore, due to the insufficient funds, unutilized agricultural land in Romania amounts to about 1 million hectares. The average size of an agricultural farm in Romania is 3.6 hectares, four times lower than the EU average and much lower compared to other European countries: Czech Republic (152.4 hectares), UK (90.4 hectares) Italy (79 hectares), Germany (55.8 hectares), France (54 hectares) and Spain (24

hectares). The structure of the utilized agricultural area, 63% is agricultural land, pastures and meadows 33.7%, 2.3% permanent crops (perennial farms and orchards and grape-vine) and 1.2% gardens. At EU level, arable land has, on average, 60%, 34% pastures and meadows, permanent crops 6.1% and 0.2% gardens. In animals, Romania ranks fourth in the EU for sheep and goats, after the United Kingdom, Spain and Greece. For pigs, ranks ninth, after Germany, Spain, France, Denmark, the Netherlands, Poland, Italy and Belgium. Regarding animal husbandry, Romania is among the top ten countries in the EU cattle livestock.

Romania has a deficit of more than 2 million hectares irrigated and the productivity in agriculture is declining due to under-utilization of production factors. Within the subsistence farms, farmers are not sufficiently motivated to improve production activity nor have the income necessary as gains from the sale of products are low. In 2011, State subsidies were 175 euro/ha, while the average European subsidies were 270 - 300 euro/ha.

Some significant achievements have been noted, however, on organic farming "organic products have a high potential in Romania, because a large area of land can be converted for the cultivation of bio products and because Europeans consume increasingly more healthy products. In Romania, the area cultivated with organic products is over 70,000 hectares in 2006, so less than 1% of the country's agricultural potential. This is despite the fact that, according to studies, Romania could produce organically around 10-15% of agricultural land. The area cultivated with organic vegetables was 300 hectares in 2009 and 259 hectares in 2008. The area

cultivated with ecological fruit trees was 820 hectares in 2009 to 790 hectares in 2008. The total area under organic farming in 2008 was 221 410 ha, compared to 190,129 hectares in 2007. In 2011, organic farming area increased from 260,000 hectares to 300,000 hectares of arable land is just lower than 100,000 hectares. Exports of organic products from Romania increased in 2010, reaching a record level of 100 million euro, against 80 million in 2009. In Europe, Spain is in first place in the bio cultivated surfaces, with 1, 33 million hectares, exceeding Italy, with 1.1 million hectares, the Netherlands, with businesses in organic agriculture of 647 million in 2009, increasing with 11% compared to 2008. "[19] In relation to trade of agricultural products, states: "In 2010, Romania sold abroad needs, 8.5 million tons of food and agriculture, especially grain and tobacco. There have been exported two million tons of maize for a total of 388 million euro, 2.5 million tons of wheat to 380 million euro, one million tons of rape-seed for 334 million euro and 23 thousand tons of tobacco for EUR 380 million. In 2011 Romania exported food products worth a total of 2.9 billion euro and imported food of 3.7 billion. "[19]

The Common Agricultural Policy, CAP for 2014-2020 aims to consolidate its position in Romania and increasing economic role of farmers by ensuring fair competition in the common market, by ensuring increased earnings from production, by ensuring them that they can provide a number of different types of services that are required in the market, in the frame of the rural planning. Structural policies that relate to changing the organization and functioning of the common market are [13]: a better functioning of the markets, stability and greater transparency;

strengthening the position of farmers within the food chain; measures to improve the competitive position of farmers; maintenance payments to support farmers in disadvantaged areas and some areas clearly defined; more incentives for farmers in the aim that they provide more rural services valued by society; strengthening measures for farmers to have an important role to new challenges, such as climate change and hydrological constraints.

Romania's agricultural policy provides increasing amounts used in the State budget for the agriculture so that farmers can benefit from direct payments updated to their European level. An important issue is to ensure food security, according to world standards, along with environmental protection and animal welfare. The state must identify new intervention measures, including simplification of cross-compliance standards and improve their direct support to farmers, focusing on small and medium firms. Agriculture is important [from the perspective of labor, given the fact that agriculture employs over 30 million people, and over 40 million people in the food chain. In the rural planning, in addition to the measures generally available worldwide, in our country are important also the measures for unifying the land, given that the land property is broken, the provision by the State of more money for the scientific research and the development of new agricultural technologies.

6. Conclusions

The transition to a different type of economy, more efficient and environmentally friendly, to the green economy, is obviously an objective and indisputable requirement

of the companies. Management strategies applied by private operators or the State in order to achieve economic growth should carefully consider the resources that will benefit future generations. In order to switch to a green economy, it is necessary to adopt new economic policy strategies covering all fields and industries. It is particularly important internal cooperation between all those involved in the implementation of these goals and the establishment of agreements between EU Member States and of international agreements.

Agriculture should not be viewed independently of the other economic activities of a country or area, but as an activity which is closely correlated with the other because it is the basis for ensuring population's food. An agricultural development requires a more efficient planning and organization of the territory, as well as measures to reduce the negative effects of increasing urbanization, particularly in high developed countries.

While in agriculture were important changes on the most important aspects of the organization and management, on the quantity and the quality of cultivated areas it is required the adoption of new legal regulations on property titles. Currently, we believe that the work is so complex that agricultural systems are based on the innovation process and

increasing dependency and complementarity towards industry and services.

Green Agriculture involves empowering managers to widespread the use of natural fertilizers, to improve the crop rotation, to make more efficient the water consumption, to improved storage methods and supply chain of products. The most important concerns relate to the scientific research in order to select the most productive and resistant seeds and to improve physical and climate constraints, the use of modern biotechnology systems.

Green agriculture will allow increasing the nutritional factors from the consumed products and will ensure the needs of a greater share of the world population, contributing to poverty reduction. Making changes necessitated by the transition to a green agriculture requires an increased investment. The Governments concern to promote green agriculture are reflected in policy measures adopted of which the most important are: supporting agricultural prices, soft loans, guaranteeing purchase by State of the surplus of agricultural goods at a certain price supported by State, subsidizing producer prices, subsidizing production, setting the target price and the compensation for producers, consumers subsidize, subsidize agricultural production inputs.

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Improving education due to the need to adapt it to the requirements of the economic development and of the labor market - issues of past history and contemporary features

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Abstract: Improving education has been and continues to be a necessary condition in any society. Education contributes to increase the level of civilization, to develop the individual personality, but also to increase the level of the economic development. Organization and subsequent reorganization of the Romanian education system has been pursuing desiring to adapt better it better to the labor market needs and to adapt it to the international education system. The management strategies which are applied in this area should be considered adapting it to the domestic and international labor market conditions to the new education methods and techniques, used at the international level. The new trends desiring to transform the economy into a green economy require increased investments in education, in order to train the specialists in new green areas.

Key words: education, management of education, economic development, labor market, green economy.

JEL Classification: A20, B25, F69, G23, I21, I22, I23, I25, J21, J24, O34, O43

1. Introduction

The role of the education system in a society is essential as it contributes to the increase of civilization level, to the development of individual personality, but also to the increase of the economic development level, which is closely related to the level of the education.

Most countries consider that a better education is an essential goal, but it can also create problems and imbalances if it is not actually linked to the specific economic situations of the real economy.

This paper aims to present the most important steps in the development of the education system in Romania since the nineteenth century until today, presenting the most important issues and requirements encountered by the Romanian education system. For the present stage, they are highlighted the main demands which require increasingly more, adapting the education system to the labor market requirements and the need for internationalization, driven by the expansion of economic globalization, by the increasing degree of the domestic and international mobility of labor force, by the increasing importance of the international labor market.

The development of the Romanian education system began in the Modern Era. Important results were recorded especially in the second half of the nineteenth century. The period of economic boom that followed, required the development of all levels and types of education and also the development of professional training of all labor force categories.

In the interwar period, was intended to promote an education system close to the French liberal one that was done by differentiating the type of education in urban areas

compared to the rural areas, in order to adapt the education system to the needs dictated by the labor market in each area. On the other hand, were made changes regarding the type of education system in order to adapt it better to the needs for industrialization of the country, promoted by most ruling parties and by the economic doctrines of the time.

Between 1944 and 1990 the Soviet influence led to significant changes in the Romanian education system. One of the major achievements of this period was the significant reduction of illiteracy to just 10% of the population, which means a better prepared labor force, able to respond better to the needs of the labor market when the economic reality requires changes, which means new types of activities, progress and innovations.

After 1990, the Romanian education system has entered into a comprehensive reorganization process, aiming to better adapt the graduates to the labor market needs and to better adapt the Romanian education system at the international one, particularly to the European education system. The current system is focussed on training, on lifelong learning, on the teaching career management, on improving the management and the quality of all study programs.

In the Congress of Education from June 2013 in Bucharest, was emphasized the great importance of the internationalization and were established the measures that must be taken by the State in order to accelerate the internationalization of the education system, given that all the European universities consider that it is an strategic objective.

2. Literature Review

Both creation and development of the Romanian education system were made,

since the nineteenth century, taking into account the needs imposed by the economic development. The authors Maria and Dumitru Muresan stresses: "The Romanian world of the nineteenth century, following the internal upheavals and / or copying in a good way, the foreign models, amend, although often slowly but consistently towards modernity. Education, the education system is also included in this upward course of time. We consider particularly important the knowledge of preparing the Romanian specialists for those areas that, in the era, were major economic sectors, either budding sectors, and also because they had to be able to offer suitable solutions corresponding to the demands of the market economy." [5]

Referring to the relationship between the education system and the economic development, lecturer PhD C. Cicea and lecturer PhD C. Dobrin states that: "Although the economic literature presents numerous arguments about the role of education in economic development, it did not specify clearly the ways in which school influences individuals to become more productive and nor sufficiently studied those unquantifiable effects which are indirectly contributing to the economic development. Studies on how the school affects individuals to become more productive have been made since the 70s: D.C. McClelland and D.G. Winter (1969) and A. Inkeles and D.B. Holsinger (1974). These analyzes led to the idea that education influences attitude change in society's members, with direct effects on the development. McClelland failed to demonstrate that the historical periods of economic and social development have been accompanied by an increase in the "need to build" a population that can be satisfied only by education.

Meanwhile, A. Inkeles suggested the idea that "modern society" can not be possible without an adequate individual approach, which is in overwhelmingly the result of education. According to A. Inkeles, the main contribution of education to the society development is based on the ability to transform individual attitudes and values from "traditional" to "modern". Undoubtedly, there were other authors who have studied the link between education and economic development. Thus, J.R. Goody and I. Watt⁷ (1968) stated that the existence of a tradition on literacy is essential for a "rational" attitude in any society, which in turn contributes to the economic development." [1] The same authors, referring to the negative economic effects of under-education shows that: "The first negative effect refers to the disparity of income obtained by people who have benefited from education, compared to other people. Indeed, a person who has graduated from a high school or higher education institution recorded throughout the period of life, a higher income than a person who has completed secondary education. It should be noted that this effect is propagated in the chain, as a snowball. More specifically, the person who does not benefited from education, and consequently has a lower income will not have sufficient financial resources to contribute to the education of its followers. Another negative effect of lack of education refers to the social exclusion of individuals." [1] Regarding the negative effects of the over-education, the same authors state that they are materialized in: "the less educated individuals are removed from their jobs by the individuals with a higher education. Studies have disproved the belief that people with higher education only supports jobs according to their appropriate training.

Even if, in fact, they expect employment opportunities, their attitudes are realistic and they adapt to the labor market conditions, accepting, at least for short periods of time, jobs that are lower than their training; worsening employment issues for those higher educated (secondary and tertiary level)." [1]

Concerning the problems that education system faces in recent years, Alexander Batali points out that: "Unfortunately, the global economic recession has not spared higher education, and now the number of international students enrolled in the Romanian universities declined compared to the previous years, at approximately 7,800 (1.5% of all students) (MECI, 2009). Worldwide, the dynamic growth of recent years has been, in some countries, 10-20% per year (OECD, 2004)." [11]

Regarding the recent studies which demonstrate the adaptability of the education system to the labor market and to the employers needs, authors lecturer PhD G. C. Dimian, professor PhD M. Roman, professor PhD. dr. L. Muresan stresses that: "Inquiries at ECA countries show that entrepreneurs are interested not only in technical and general knowledge and skills but also in behavioral skills (Sondergaard and Murthi, 2012). The study developed by the authors show that in countries such as Kazakhstan entrepreneurs attach the same or a greater importance to behavioral skills (the ability to work independently, time management, communication, telephone conversations) than the general and technical ones (foreign language, computer skills, mathematical skills)." [3] In the same research paper, by a survey on the six Development Regions (Bucharest Ilfov, South, Central, South West, South East and North East), the authors show that: "The

main difficulties to hold a job vacancy are considered by the employers these regarding the education system and its connection with the business environment (76.5% of the respondents agree / strongly agree) and the labor force migration (72.9%). The competition is on the last place in a ranking of the most significant causes of qualified candidates deficit for some jobs (24.7% of the respondents agree / strongly agree). If in the current context, the time required to fill a job vacancy is not very long (1-3 months), the period for an employee to become fully effective is much higher (over 6 months) in the opinion of 38.37 % of employers." [3]

3. Beginning of the Romanian education system development in the nineteenth century and in the first decade of the twentieth century

The development of the Romanian education system was made since the beginning of the Modern Era. Special results were recorded especially in the second half of the nineteenth century. The Modern Era started with the Tudor Vladimirescu Revolution, which was the basis of all the major changes for the future development of the Romanian economy and for its greater participation at the international economic relations. The most important economic changes were dismantling the Ottoman monopoly on the country's foreign trade of Valachia and Moldavia by the Treaty of Adrianople in 1829, the restitution of the ports on the Danube and the freedom of trade and navigation on the Black Sea. These changes led to a boost of the Romanian economy, based on the freedom of action of all the economic subjects, ideas found in the classical liberal economic

doctrine who argues that ensuring the freedom of action leads to a better accomplishment of the interests of all economic subjects.

The economic boom period has required the development of the education system at all levels – beginning with the primary one - and all types - beginning with the agricultural education, considering that agriculture was the main economic activity of our country - as well as professional training of all labor force categories. The permanent efforts made for this can be illustrated by the significant increase, in time, of the number of students in public schools. In the fourth decade of the nineteenth century, in all the public schools studied about 700 students, and the efforts made by the Romanian authorities in all the provinces, the number of students grew at about 500,000 before the start of the First World War. These exponential increases had obvious beneficial effects, however, in the early twentieth century, the percentage of illiterate population was quite high: 60% in Old Romania and Bucovina, 90% in Basarabia and 40% in Transylvania.

In the mid-nineteenth century, were adopted a series of laws, particularly important, aiming to develop the education system. These include the Law on instruction in 1864 during the reign of Alexandru Ioan Cuza, which established the a uniform system of education with primary cycle of study of 4 years, which was compulsory and free, followed by a secondary cycle with 7 years of study, followed by the university studies with a duration of 3 years. "Primary school included "primary schools in rural and urban communes" (Art. 3). Secondary schools included "high schools, secondary schools, seminars, real schools, belle-arte, professional and girls secondary schools" (Art. 4). Higher cycle

included "faculties of letters, mathematical and physical sciences, law, medicine" (Art. 5) [9] In 1864, Prince Alexandru Ioan Cuza established the University of Bucharest, comprising the Faculties of Law, Science and Letters, established since 1859.

Prince Alexandru Ioan Cuza promoted an economic policy of free trade, desiring the country's economic development by encouraging the international economic exchanges at all levels, by attracting foreign investors, by promoting the interests of farmers in foreign markets and also by specializing the teachers in other countries, particularly in the more developed European countries, so they can benefit from a higher education and an enrichment of knowledge that would convey to the Romanian pupils, to develop and to modernize the Romanian education, recognizing its importance in growing the quality of the labor force.

In the last decade of the nineteenth century, they were adopted three important laws for the progress of Romanian education. Poni Law (1893) differentiated the study time for the same program in 4 years in the urban areas and 5 years in the rural areas, tracking and resolving also issues related to the construction and equipping the buildings used for education. Spiru Haret Law from 1898, which remained in force until 1936, established the secondary education cycle in 8 years of study, divided into two cycles of four years each of them and organize the higher education in different sections. In 1899 it was adopted another law, which concerned the organization of the vocational education.

The first type of education that has developed in our country was the agricultural education, even from the first half of the nineteenth century as the main economic

activity in our country was the agriculture. It was introduced into public primary schools, first in Moldavia and then in Valachia. The teachers had the opportunity to participate in internships abroad, particularly in France and Germany. After 1864 the agricultural education expanded in all the primary schools and in the theological seminaries. In 1883 was founded the first university in the agricultural field, in Herastrau, but its graduates were used only by the largest land owners, since the development of agriculture was still relatively slow and since most agricultural activities were developed into the small properties of land which that they had no possibilities and no need to hire university graduates in production.

A particular attention was paid to the economic education, introduced a little later than the agricultural education. The first course of Political Economics was taught by Professor Ion Ghica at the Mihaileana Academy of Iasi, in the fifth decade of the nineteenth century. After the Union of 1859, was given a greater attention to the economic education and after 1870 to the commercial education, who led after a few years at the establishment, in 1913, in Bucharest, of the Academy of High Commercial and Industrial Studies with three sections: Commerce, Bank, Insurances; Industry; Economic and Consular Administration.

The third type of education which has been developed in our country was the technical education. Its later development can be explained by the later development of the industrial activities in our country. An important step was the adoption by the State of the protectionist economic policy in the ninth decade of the nineteenth century, which aimed primarily to develop the industry. The

technical education began to develop in the last two decades of the nineteenth century, on the one hand by the professional schools of crafts both in urban and in rural areas and, on the other hand, by setting up high schools, the first being in Bucharest and in Iasi. In 1864 was founded the first university in the technical field – The National School of Bridges, Roads, Mines and Architecture, which was the basis of the current Polytechnic University of Bucharest.

In the other Romanian provinces, the issues related to the development of education results from the general issues that have marked their overall development.

In Transylvania the development of the education began with the schools in the Hungarian teaching language, followed by German teaching language schools. In the second half of the nineteenth century there was a particular concern for developing the commercial education and the theological secondary education, especially in cities as Brasov, Sibiu Brad and, as a result of the Organic Statute of the Metropolitan Andrei Saguna. In the late nineteenth century, Romanian teaching language schools had about half of the number of pupils attending schools in German teaching language and 10% of the number of pupils attending schools in Hungarian teaching language. The first institution of higher education in Romanian began operating in Transylvania after the First World War in 1919 in Cluj, when Hungarian University "Franz Joseph" founded in 1872, has turned into a Romanian teaching language university, named University "King Ferdinand I".

In Bucovina, were developed both German and Romanian education. The university from Cernauti was founded in 1875 as

“Franz Joseph University”, with three faculties: Theology; Law; Philosophy. The courses were taught mainly in German language, but there were also some sections for Romanian and Ukrainian teaching language. After the Union of Northern Bucovina with Romania, the university from Cernauti changed its name into the King Charles I University.

In Basarabia, the progress of the education system has been much slower than in other areas, developing only the education in Russian teaching language.

4. The situation of the Romanian education system in the interwar period

At the beginning of the interwar period, in Romania there were several education systems, with foreign influences, mainly Austro-Hungarian and Russian. Romanian national consciousness development and economic development involve finding a common denominator and formation of a unified educational system that responds better and uniform at the requirements for training of graduates for the labor market. Minister of Public Education, Constantin Angelescu had a particularly important role in the liberal governments to achieve in practice that unity. During the interwar period the Romanian education system was a liberal one, French-inspired. The transition to this new system “became gradually, the Romanian State accepting that the education in the new territories must be managed by the Directing Council in Transylvania, by the Country Advice in Basarabia and by the Service Secretariats in Bucovina. The three governments were abolished in 1920 when the Authority passed under the tutelage of the central ministries from Bucharest.” [7]

In the interwar period, was intended to promote an education system close to the French liberal one that was done by differentiating the type of education in urban areas compared to the rural areas, in order to adapt the education system to the needs dictated by the labor market in each area. On the other hand, were made changes regarding the type of education system in order to adapt it better to the needs for industrialization of the country, promoted by most ruling parties and by the economic doctrines of the time.

Even if the importance of the agricultural activities was recognized, agriculture still being the main branch of the national economy, it declined as a share and the authorities pursued a strong industry development in order to transform the Romanian economy in the industrial – agrarian economy. The high schools were modernised, clearly seen in the emphasis on technical education as a result of the growing demand for labor in the new industrial plants.

5. The Romanian education system between 1944 and 1990

The Soviet influence led to significant changes in the Romanian education system, turning it into a Stalinist one. During this period, important reforms were made. On August 3, 1948, was imposed the single textbook system in all schools. The first unique textbooks were introduced to the primary cycle of study, having the duration of seven years, generally printed by translating the Soviet textbooks.

Between 1949 and 1958, it was decided that the education system should be controlled by the ruling party so as to ensure public education in line with all the general

principles promoted. Some universities were transformed into Technical Insitutes and compulsory education was set at seven years. The private schools were abolished and a number of previously taught subjects were replaced with new ones, reducing considerably the share of the social sciences.

Later, in the 80s, the compulsory education was set at 12 years. One of the most improved records of this period was the significant reduction of the illiteracy to just 10% of the population, which means that the labor force was better prepared, able to respond better to the needs of the labor market and to retrain when economic reality requires changes that mean new kinds of work, progress and innovations.

6. The development of the Romanian education system after 1990

After 1990, the Romanian education system was in a continuous reorganization porces, aiming to better adapt the graduates to the labor market needs and to adapt the Romanian education system at the international one, particularly at the European system.

The Law of Education from 1995 states that "Kindergarten is optional between 3 and 6 years. Schooling starts at age 6 and is compulsory until the 10th grade (which usually corresponds to the age of 16 or 17). Primary and secondary education is divided into 12 or 13 grades. Higher education is aligned to the European Higher Education Area." [9]

As a result of the new measures, the literacy rate has reached in 2004 at 97.3%, but it grew in the last years at 6% [14], according to a study made by non-governmental organisations. They were established many

universities, colleges and private schools and, in the public universities, were established many new faculties, designed to prepare the graduates according to the modern requirements of the internal and international labor market, on the newest and modern fields. The teaching methods and techniques were improved, and we can observe a clear trend of higher education's internationalization, as happened in most other countries, the economic side of the education becoming more and more important.

Universitary management means now to solve many problems increasingly complex in many areas realted to the education. Internationalization means not only matters strictly related to learning, but also involves modernizing the type of funding so that universities respond better at the requirements coming from the activities of modern teaching and research, but also from those related to staff motivation and its stimulation to achieve a higher quality in the teaching process, in counseling and in the research area. Determining new financing methods and instruments has meant to attract foreign researchers and teachers from abroad, benefiting from their professional experience.

As positive aspects related to the internationalization, from the official data it results that "since 1990, an impressive number of Romanian students have studied and / or conducted research in universities abroad. This has led to the rapid renewal of the academic curricula for the existing programs and to the creation of new specializations. Meanwhile, university libraries have enriched the collection of evidence, and Romanian professors and researchers were given access to prestigious scientific journals." [11]

On the other hand, even if the number of Romanian students who went to study abroad with an Erasmus scholarship has been increasing, "Currently, the number of foreign students studying in Romania as a result of bilateral agreements is insignificant (maximum 200) and the number of Erasmus students who came to study in Romania in the last four years has been 4 times lower than the number of Romanian students have gone to study in the EU." [11]

This situation can be explained on one hand by the fact that in the Romanian universities, the teaching language for most programs of study is Romanian. The programs in foreign languages were introduced in a relatively slow pace, and especially in some areas, but their number is increasing, and the degree of attracting foreign students is much higher than for other programs. "Another important step was the launch of academic programs in other languages. In the 90s, the Ministry of Education has created special academic programs in medicine, political science, public administration, engineering etc" [11]

The Erasmus foreign students, even if they have provided the opportunity to follow courses to study the Romanian language, the level reached by the end of a semester or a year of study is not sufficient to allow them study a subject in Romanian language. Teachers who teach subjects in Romanian language can work with the foreign Erasmus students in English or another foreign language only in their office hours because the number of foreign students per subject is low and they can not constitute a study group at the level of a year of study. On the other hand, the foreign students coming from countries and universities where they shall equate and not

recognize the subjects studied in a Romanian Erasmus partner university, must find in the Romanian university the exact content of the subjects that they have in the curricula of the home university or unless a similar content.

Another aspect that is influencing the exchanges of students comes from the number of ECTS credits associated with each discipline. Because there are some European countries where the subjects have a large number of ECTS credits (generally 9, 10 or 11), such as Italy, the students from these countries must study in Romania two subjects in order to equate one subject in their home university, which is considerably loading the study program. Regarding the Romanian students, they have similar problems in those countries where the subjects have less ECTS credits than in Romania (in some countries such as France, where at certain faculties the internships have a large number of credits per semester and, consequently, many of the subjects in the curricula of undergraduate studies have only 2 or 3 ECTS credits).

Another problem, which is less affecting the mobilities, but should probably improve is the very different grade scale systems, which induce a certain degree of relativity in recognizing the marks for the subjects that the Erasmus students studied abroad. The problems are similar also for the students who have the status of exchange student.

"In Romania, in the academic year 2006-2007, there were registered 10,400 foreign students to universities, which represented 1.3% of the total number of students enrolled in higher education (INS, 2008). Countries with the highest percentages of foreign students to total students are Switzerland (16%), Australia (12%), Austria (11%), UK (11%), but the absolute number of students, the country

with the most foreign students received is the US, followed by Britain, Germany and France (OECD, 2000). The regions of origin of these foreign students in Romania in 2006-2007, were Europe (69%), Asia (16.1%), Africa (13.2%) and North America, South America and Australia (1.7 %) (INS, 2008).” [11]

In addition to student mobility are important also the teachers mobilities, because through these activities they can enrich their experience and teaching methods, can offer the possibility for students from other countries to benefit from a method of teaching different from that of the university at which they are enrolled and can establish contacts for future collaborations in the field of teaching, but also in the scientific research area.

“In conclusion, although the number of foreign students enrolled in the Romanian universities is now almost equal to that of 1977, Romania has been quite active in the higher education internationalization. The number of foreign students involved in mobility programs and the number of foreign applicants wishing to study in Romania increased in 1990, in parallel with the mobility of lecturers which become increasingly higher with updating the academic curricula at the realities of the globalization.” [11]

In the current system, the focus is on training, on lifelong learning, on the teaching career management, on improving the management and the quality of all the specializations.

At the Congress of Education in Bucharest from June 2013, are outlined the measures to be taken by the State in order to accelerate the process of the education internationalization, given that all the European universities consider internationalization as a strategic objective. Among the legislative

measures there are the economic and financial measures: “supplement grants and increase the amount of co-financing for mobilities from national funds and / or universities funds; simplification of precedures to receive the scientific visa and the study visa and reducing those associated costs for at least the countries considered a priority for Romania”. [10] Regarding funding instruments, at the same congress were decided: “Supporting the development of funding for the Romanian universities for projects designed to increase the number of co-tutelle programs”. [10]

In 2014 started the new Erasmus+ Program at the European level which aims to better prepare the young people to respond at the European labor markets requirements. When the new Erasmus+ Program started, the youth unemployment rate was almost 50% in Greece and in Spain and have high values in most European countries. It was felt that this situation was due together with the effects of the economic crisis, by the fact that there are gaps in the training of young people. By enriching the experience of study abroad, it was desired, the opportunity to provide a better training for young people, with a better quality, through the cooperation between the higher education institutions and the employers on the labor market.

For these reasons, related also at funding, the European Commission decided: “2 million higher education students will have the opportunity to study or to be trained abroad, including the 450000 internships; 650000 apprentices and vocational education students will receive scholarships to study, to training or work abroad; 800000 for pre-university teachers, lecturers, trainers, staff members and youth workers will

have the opportunity to teach or to provide professional training courses abroad; 200000 master students following a full course in another country will benefit from loan guarantees; over 500000 young people will be able to carry out voluntary activities abroad or may participate in experience exchange programs for youth; over 25000 students will receive scholarships to pursue joint masters programs, which means to study at least two foreign higher education institutions; 125000 schools, educational institutions and vocational training, higher education institutions and education for adults, youth organizations and enterprises will receive funding to establish 25000 "strategic partnerships" with the aim of promote exchange of experiences and create contacts with the labor market; 3500 educational institutions and businesses will receive support for the creation of over 300 'knowledge alliances' and 'sector skills alliances' to boost employability, innovation and entrepreneurship; 600 partnerships in sport, including European events of the non-profit will also benefit from the funding." [12]The same document states: "Erasmus has three main objectives: two thirds of the budget is allocated for study opportunities abroad, both within the EU and outside it, and the rest of the budget will support partnerships between educational institutions, youth organizations, businesses, local and regional authorities and NGOs, as well as reforms to modernize education and training and promote innovation, entrepreneurship and employability." [12]

At the international level in recent years we can observe a decreased trend of the employment in the traditional branches of the secondary sector and an increased labor demand in the new fields, mainly the tertiary

and quaternary sector. One of the major problems of the labor market in this area is labor mobility, which depends on the nature of the labor market, but also on the differentiation of labor force in the territory. Through its mobility, the labor force contributes at spreading in the territory the new economic activities and forms. Mobility transforms both areas of origin and destination of the labor force, which has a range of economic and social consequences which require new forms of regulation and transforms the whole economic system. Labor is more evenly distributed in the territory than the capital and has a higher mobility than this, but supports a wider range of political, social, cultural, doctrinal and other influences.

In the last decade, in EU countries, more than 60% of the population was employed in services, the activity rate being bigger than 60%. Since the last decades of the twentieth century, it was found that employment tends to grow slower in the European Union compared with the increases in North America, Australia and New Zealand. One explanation could be a much slower growth of the EU population, partly due to higher migration to other areas. On the other hand, in North America, Australia and New Zealand there was a reduction of the real wages of low-income categories of employees, so lower qualified, which allowed hiring more people in this category. In these areas, there is a greater elasticity of the labor supply relative to wages.

Regarding the number of unemployed people, in the European Union there are not significant changes in time, this phenomenon having a trend of stability. In most countries, the highest rates of unemployment are among the low trained workers, young

people and female persons. This shows the importance of improving the education system and the need to ensure a higher training for the population as much as possible.

In recent years in Romania have been developed studies on employment of graduates in the labor market, based on an observation of several generations of graduates who gave a feedback to improve the curricula in the higher education institutions and to adapt the curricula at the requirements of the labor market, taking into account the opinions and the requirements of the employers.

The Executive Unit of the National Qualifications and Vocational Training of Adults conducted in 2011 a study on the inclusion of those who have completed a higher education institution. According to this study, higher education system does not provide all the necessary elements that the employers are looking to hire graduates. Most employers are not only interested in the specialization that was graduated, but also in professional experience that graduates have and in the training they followed, along with the curriculum of the university. "According to the result of this study, graduates say that more than a half of the knowledge and skills required at the workplace have been acquired even at that workplace, and only one third in college, while 14% have been acquired them in other circumstances. On the opposite side are the employers who believe that students should be completely specialized when they obtain the bachelor's degree." [15] The same study showed that the current education system can provide the needed theoretical knowledge, but can not develop practical skills needed by the graduates. For this reason, over 70% of graduates said they had followed training courses, and many employers

were directly involved in the organization of these trainings.

The close link between education and the labor market can be described in that: "all the transformations of the labor market that are not followed by adapting the education system create imbalances / inconsistencies of a different nature: imbalances / inconsistencies in the level of education or the type of education: sub-education / over-education and under-qualification / over-qualification, skills above or below those required at the workplace, deficit / surplus of skills or loss of their time." [3]

"Barro and Lee's research provides argument that the percentage of people who achieve all three level of education (primary, secondary and tertiary) were recorded over the last decade, an increasing trend in all developed countries.

Economic causes of rising education levels take particular account of the human capital theory, which regards education as a pure investment: if the expected gain of education are large so worth the effort being made to complete a higher level of education, when individuals choose to invest more in education, that if they allow." [2]

"An analysis restricted to countries in Eastern Europe and Central Asia (Sondergaard and Murthi, 2012) revealed for most of the countries from those areas a decrease of occupations requiring low skills and an increase of the skills required at the workplace. From a sectoral perspective, some trends were particularly visible: the sharp decline in the demand for qualifications in the agriculture determined also by the decreasing of the employment in the sector, the decrease of the demand for manual labor, qualified or non-qualified with the

technological developments, increasing demand of qualifications for the services sector, which took over a large part of workers employed in other areas, a sharp increase of the demand for specialists with intellectual and scientific occupations. The polarization of occupations has created challenges for the education system, which should ensure the right skills. The changes in the structure of economic activities and the occupations polarization determined increasingly more discuss on the labor market of generic skills or "soft" and of an "emotional activity." [3]

Currently, the desire to transform as much as possible the world economy into a green economy, implies more investments in education for training the specialists in the new areas, through the most important being the renewable energy and the transport. Although the transition to the green economy implies in some areas fewer jobs, other areas will require an increasing labor demand by the emergence of new types of crafts, the green crafts. The crafts will not be replaced each other, but rather the content of those trades will be modified.

„A skilled workforce is a prerequisite for a green economy, and it may be necessary to focus education efforts on aligning skills with the needs of the labour market. This is particularly relevant for the so-called STEM (science, technology, engineering, and mathematics) disciplines. A number of jobs throughout the economy are expected to be transformed to respond to a more energy and resource efficient economy..... In addition to re-skilling workers, there is a need to ensure managers develop the new perspectives, awareness and capacities required for ensuring a smooth transition. A recent OECD study noted that "[b]usinesses will need to ensure that their managers are able to learn

and understand the new skills needed to respond to the changes taking place within their realms of responsibility; to develop more green-oriented managerial capacities; as well as to make adequate use of the skills their staff has obtained" (OECD 2010c)." [6]

This transition to the new jobs, including changing its management, requires cooperation between intergovernmental organizations and non-governmental enterprises, especially small and medium enterprises, and the State itself.

7. Conclusions

Improving the education system so that it corresponds better to the requirements of a modern market economy is a necessary and unquestionable objective of the current society. Management strategies which are applied in this area should consider to adapte it to the domestic and the international labor market conditions and to the new methods and techniques used at the international level. It is particularly important the internal cooperation between all those involved in the implementation of these goals, the harmonization of the policies in this area between all States member of the European Union and also internationally.

"Education improves the baggage of knowledge and skills of individuals. For this reason, they are likely to find a job suitable to their preparation, to provide an adequate income. To the extent that thay find these working opportunities in their environment, they will work there, contributing to the economic development of that area. If they will not find these opportunities, they will migrate to other areas (usually from rural to urban areas)" [1]

Currently, the desire to transform as much as possible the world economy into a green economy, involves increasing investment in education for training specialists in the new areas, the green ones and also a strong cooperation between intergovernmental organizations and non-governmental enterprises, especially small and medium enterprises, and the State itself.

A better education is an essential goal for every country and every society considering its role. The role of the education system in a society is essential as it contributes to the increase of civilization level, to the development of individual personality, but also to the increase of the economic development level.

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Management of public services' attributes in the view of the consumers

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Abstract: *This paper emphasizes a study on the relevance of the basic attributes, according to consumers, of public services supply in Focșani, using the results of practical – theoretical research done with Serqual model. It is extremely important that in the case of supplying public services of general economic interest, the institutions should understand the consumers' desires and should make sure that supplying these services in the limits considered to be normal improves the consumers' perception. The importance of services' quality satisfies or not the citizen, satisfaction which is based on the identification and classification of attributes that help to a better understanding of perception, which will lead to the increase of users' satisfaction.*

Key words: Serqual model, the public services, the consumer perceptions, the citizen satisfaction

JEL Classification: D12, L32, L95, P46

1. Introduction

Public services represent a sector distinguished by a great diversity and high dynamics which offers its support "in order to implement the Lisbon Strategy, that is placing citizens at the heart of the public management concept through activities taking place in various areas (human resources, innovation, quality, e-governing) and through various actors to assist the efficacy and customer orientation of European public services." (European Public Administrations Network – EUPAN, 2008).

The requirements of modern society are to properly satisfy both the material and spiritual needs of the population. Services for the population play a key role in this respect and they satisfy a large range of needs, starting from the lower level (water, heat, electricity supply) to the superior ones regarding comfort, culture or leisure activities. Thus, the "main role of the services for the population is to satisfy people's numerous needs and to stimulate the development of human personality." (Ioncica 2006)

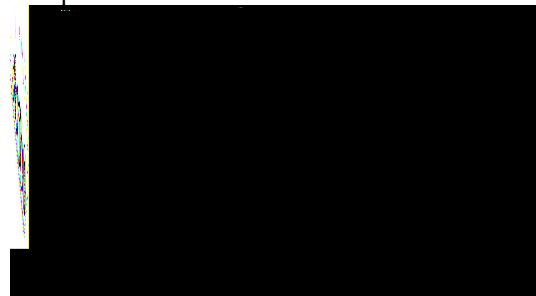
In not such a distant past and sometimes nowadays, the public sector did not answer and it does not promptly answer to the needs and requirements of the society and that is why it is more and more important to reorganize it in order to deliver better and faster services since citizens' demands hold an essential position regarding these changes. This is the reason why the level of customers' satisfaction and its influence on public organizations is critical to assess whether offered services are the way they should be. This is not an easy thing within public services due to the nature of the "customer" on the one hand and the nature of the public services on the other hand. Citizens/customers

have got different faces and roles; sometimes they are customers when it comes to service supply, sometimes they play the role of the citizens when they pay taxes and obey rules. (European Public Administrations Network – EUPAN, 2008)

One may say that customer satisfaction management is all about "doing enough for the customer" (Rust, Zahorik, & Keinigham, 1996). The concept of satisfaction generally indicates psychological moods such as welfare, happiness and content. In order to have a satisfied customer, the organizations must be aware of both their expectations and likes or dislikes. Companies do not own a recipe for satisfying customers, so it goes without saying that only a long-term relationship with a customer allows them to know exactly their level of satisfaction (a low number of complaints is often regarded as meaning a level of customer satisfaction, which is not always true). Customers' satisfaction is the result of an interior process of comparison (see illustration 1.) between:

- Personal needs, desires and expectations on one side and;
- Perceived quality of products and services on the other side.

Illustration 1. Interior process of comparison



Source: Processed by authors

Within public services at European level it has been started the initiative of setting

the citizen/customer as the focal point, which is a shift from the point of view of the producer to the point of view of the citizen/customer (Pollitt and Bouckaert, 1995). At the moment, the citizen/customer represents the most important priority (if not the only one) of the European Union Member States, which is illustrated by the results of the survey undergone in 2007 in the Member States during Portuguese leadership (EIPA, 2007: 6). In almost two thirds of the states, the aspect regarding "customer perception" represents an important priority on the public administration agenda. (European Public Administrations Network – EUPAN, 2008).

In this respect, citizens' perception on the supply of public services of general economic interest by the Company of Public Utilities Focşani (CUP Focşani) is a current feed-back on customers' demands. On long term, this process leads to the maintaining, lowering or improving the individual level of supplied services standards.

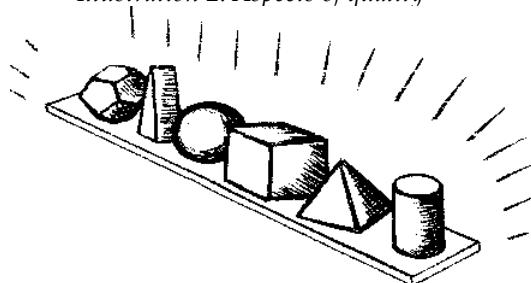
2. Conceptual framework on measuring satisfaction level

The starting point for an organization whose strategies are customer-oriented is the customers' needs and expectations. In order to really accomplish or even surpass these demands, they must guarantee a proper level of quality of products/services. In this case, the concept of total product has been adopted which can be both a tangible asset and a service. In both cases it represents performance. Companies that can offer customers both competence/performance and reaching a high level of satisfaction at the same time can gain numerous advantages in relation to the competition.

At the same time, many companies have understood that even quality can be related to performance by a brand. In order to maintain and increase company success, managers must pay special attention to products/services expressed by quality of performance. During the last years the specialized papers and the practice have used many assessments to give an interpretation of the concept of quality.

Among these, a part is oriented towards the producer and another one towards the customer, while concepts such as competition are oriented towards the illustration of quality. Therefore, there are numerous aspects (see illustration 2) of quality among which an organization must choose from. (Raab, G., Ajami, R., Gargeya, V., Goddard, J., 2008)

Illustration 2. Aspects of quality



Source: Raab, G., Ajami, R., Gargeya, V., Goddard, J. – *Customer Relationship Management. A global perspective*. Gower Publishing Limited, Hampshire, 2008.

In the case of public services supplied to the population, the nature of customer satisfaction is different from that of the citizen. (Schmidt and Stricklan, 2000). The two concepts are different. If we analyze customer satisfaction, then we can ask direct questions about the supply of services towards the population (based on doing things correctly), while the surveys for citizens assess aspects

such as whether certain services should be supplied by the public sector (based on the right things that must be done). (European Public Administrations Network – EUPAN, 2008).

Taking this into account, we can say that the customers/citizens are the ones provided with these services due to the fact that the Company of Public Utilities Focșani holds the monopoly on the market in supplying water, heat, collecting garbage. They expect the company to offer good services by identifying some requirements. We are talking about a level of requirements that the company must meet in order to offer customers the proper quality of services. Therefore, the quality of services is provided by the differences between the expected and the supplied service, a study which is developed within *Servqual* model.

The model focuses on five differences which can determine customers' dissatisfaction and, ultimately, cause the failure of the service. The usefulness of the model was largely acknowledged and appreciated by the ideologists and practitioners. Later, a great emphasis was placed on the causes that can generate gaps and the ways to eliminate them.

To that effect, there are several available methods to investigate the features of customer requirements. (Urban G. L. and Hauser J. R. 1993)

3. Research methodology

"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 an 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."(Marinescu P., Toma G. S., 2013). Does an assessment of the quality of public services offered to the population by the public administration (in a town in Romania in this case) represent a priority? The way the population will answer to this undertaking is going to be measured by this research.

3.1. Implementation

Within this research measuring the quality of services has been projected according to the requirements of *Servqual* model, that is according to five important scales: safety, promptness, reliability and empathy. This model is built on an answer scale meant to comprise both the expectations and the perceptions of the customers regarding the service which was offered. The model requires the customers to answer 22 questions concerning their perception of the quality of the service, as well as 22 questions concerning their expectations on the quality.

The respondents are asked to assess those statements using a five-step Semantic differential scale. The statements are dimensions of service quality based on five groups of factors that define customer satisfaction: reliability, tangibility, promptness, safety and empathy.

Their meaning is as follows:

- reliability – the offer of a professional, fair and reliable service;

- tangibility – physical elements that concur to supplying the service, amenities available for citizens, workers' equipment;
- promptness – the desire to help customers, supplying services whenever necessary, scheduling them;
- safety – employees' professionalism and civility, physical safety, their trustability;
- empathy – individualization of services according to customers' demands.

4. Study design.

4.1. Type of research and the method of obtaining primary data

In order to illustrate the assessment of customer satisfaction for a certain service we can use the tool proposed by Parasuraman (1988), Servqual model which is projected on an answer scale meant to hold both customers' expectations and perceptions regarding a service. Although there is criticism to this model, it allows the assessment of quality and, at the same time, it is a tool of improving and comparing to other organizations of the same sector.

In this case the research established and projected a survey according to Servqual scale of measuring service quality. The survey had two main sections as follows:

1. assessing the level of satisfaction given by the attributes of services
2. grading the importance of attributes

The study used a sample of 300 users of public services in the town of Focșani, among which we could process a number of 296 surveys, that is 98,66%. The data has been gathered in November - December 2013. The surveys had a number of 38 questions, among which 19 were about the perception on the quality of the service and 19 on the

expectations concerning quality.

The main dimensions of the study are:

1. Reliability (A)

- the organization has obligations with the City Hall to supply public services;
- the organization has planned the supply of these services;
- some services are permanent (water, collecting garbage, sewage), others are alternative (taking the snow off the roads, servicing the roads);
- citizens are informed in due time on the changes regarding utility supply;

2. Tangibility (B)

- the organization offers help to citizens with low income;
- its workers should be well - equipped and trained;
- citizens are informed in due time on the changes regarding utility supply;
- citizens can access information online.

3. Promptness (C)

- services are supplied according to standards in effect and contracts;
- the organization should own effective machines and equipment;
- the organization replies to citizens' requests or complaints;
- the organization offers reaction time for citizens when it comes to price changes.

4. Safety (D)

- the organization implements environmentally-friendly policies regarding water and garbage;
- workers in the organization are able to meet citizens' demands;
- workers in the organization should be promoted to management due to their skills and not due to political influences.

5. Empathy (E)

- the organization can offer facilities for public transportation;
- the organization pays attention to groups of customers;
- citizens should easily obtain approvals for different requests;
- the organization should have contracts with the banking system for easy payment of utilities.

4.2. Data interpretation.

We have processed the data using the Semantic Differential scale thus obtaining

the results for the extent of importance (on a scale from 1-5), then they have been classified into two categories:

“high” if the extent of importance is higher than the average (3,9344) and

“low”, if the extent of importance is lower than this average.

This allows a classification of the service but also a grading of the level of satisfaction between the expected and received service. In this case, a classification of the service is completed in the next table:

Table 1. Classifying and grading services

Attribute		Importance of service IPS	Expected service SA	Gap (S A - IPS)	Assessing the degree of importance IP>IP average. IP<IP average	Servqual Interpretation
A	a1	4,15	3,43	-	The level of reliability complies with the average	Expectations are maintained within reasonable limits , but the standard of the service must be maintained at a high level
	a2	4,12	3,12	-		
	a3	3,96	3,03	-		
	a4	4,02	3,67	-		
	a ⁻	4,062	3,312	-0,749		
B	b1	4,13	3,63	-	The level of tangibility is a little above the average, but it complies with expectations	Workers training and equipment are inconsistent with the level of service tangibility.
	b2	3,93	3,50	-		
	b3	4,31	3,44	-		
	b4	4,33	3,09	-		
	b ⁻	4,175	3,415	-0,76		
C	c1	3,85	3,39	-	The level of promptness complies with the average and the expectations	The level of promptness must be either maintained or brought to at a high level.
	c2	3,72	3,46	-		
	c3	4,05	3,67	-		
	c4	4,22	3,11	-		
	c ⁻	3,96	3,407	-0,553		
D	d1	4,01	3,38		Safety is much below the average and expectations	Even if safety is continuously offered, it is necessary to revise the standard
	d2	4,03	3,38			
	d3	3,22	3,38			
	d ⁻	3,753	3,38	-0,373		
E	e1	4,03	3,24		The level of attention towards customers is below the average and expectations	The level of attention towards customers requires total revision or the implementation of another standard
	e2	4,05	3,31			
	e3	3,02	3,39			
	e4	3,79	3,03			
	e ⁻	3,722	3,242	-0,48		

Source: Processed by authors

5. Conclusions

The study has emphasized 5 important scales and 19 attributes. The study makes it clear that a series of attributes are considered to be vital, others are quite attractive even if the difference between the expected and received service is negative.

Carrying out an analysis of the research results within the organization which supplies services for the population in the town of Focșani according to each of the 5 dimensions of the Servqual model, we can notice that the differences between the customers' perceptions and expectations are all negative. This shows that the customers of this organization are not satisfied by any of the 5 dimensions (a graphic example is the attribute C1 where the services continuously supplied do not respect the standard, and, moreover, the bill is unreasonably overcharged based on unreal usage of the service).

A part of the attributes are primary, and by maintaining their importance at a level below average, the organization is going to have to accept the consequences in the future. In order to limit or balance out these negative consequences, it is necessary to impose either a total revision or the implementation of another assessment standard. (for instance, when measuring the attribute E1, the organization has changed the limit for the retired citizens, which has led to a conflict with this

category since the political factors had made promises regarding this aspect during their campaign. The organization has a public-private statute, that is a partnership between the City Hall of Focșani and a private investor and it has not announced this intention, which means the decision was made without a previous consultation).

This negative level of the organization is given by the human factor that does not answer promptly to the requirements of the population (the reaction speed to the requirements of the population, the existence of a computerized database regarding customers requests), promptness (the ability of being fast and punctual in carrying out an action - DEX on-line) being a vital, defining attribute which influences all the other attributes.

In this case, the quality of the services on the whole is not as expected and the negative values prove the low quality of services. One can notice from the analysis shown in the chart that most complaints derive from safety (followed by empathy and promptness) while the least number of complaints derive from tangibility and reliability.

The organization's customer relation management has to identify customers' complaints and their evolution (periodically carrying out the research) in order to improve the quality of the services they will continue to supply.

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The Leadership Styles and the Financial Problems in Romanian's Companies

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Abstract: New business models no longer rely on expectations of increased consumption, but rewarding the saving of resources and penalizing the waste of them. Businesses based on stable cash-flows rather than speculative businesses are the ones that survive in times of crisis. The current economic environment is characterized by several features, namely: consumers are more careful with spending and seek substitutes for expensive products; economic downturn trend creates the need for new products and services such as adult education or corporate data security; consumers are looking for and choose products that provide the best value for the money spent on them. Economic and financial failure of many Romanian companies has been highlighted in recent years by the evolution of their insolvency, as emphasized the research leads by Coface Romania: the coverage of deteriorating equity was made by attracting additional debt; attracting capital was made especially over short terms with the suppliers credit; more than half of long-term investments were unprofitable; constant increase of the average day's sales in receivables showed an inadequate policy of commercial risk. In this context, it is important to reveal how leadership styles applied in Romanian companies has led to the development and worsening of their financial problems. The main issues relate to selective rotation pay providers according to the volume of transactions, business relations history, future interests or, simply, bargaining power and importance of each supplier.

Key words: leadership styles, leader's personality, aims of the leader, relations with followers, leader's behaviour, organizational culture

JEL Classification: G30, G32, G35

1. Introduction

The analysis included in this paper aim to reveal the link between the leadership styles that could be encountered in Romanian's companies and the companies financial evolution, how strategic thinking of Romanian managers could save or destroy financially a business in times of economic distress.

The study reveals its importance by highlighting the link between the behavior of a company manager, such as a financial manager, and the financial status of that company and how the leaders of the company could influence its financial wealth.

Methodology of research was based on searching and analyzing the results of specific researches in the field of organizational and managerial practices linked to the Romanian cultural values and behaviors. Taken into consideration the researches of Romanians consultancy companies and a series of specialists in Sociology and Psychology, the paper try to find connections between the way of thinking and behavior of managers of Romanian companies, their reference values and business model and the financial results of the company. In this respect, it is a valuable outcome to find out to what extent Romanian managers act as leaders in their companies and how much their decisions and actions influence the company financial status.

The results of research are highlighted by showing the strengths and the weaknesses of Romanian companies leadership, the links between management and leadership in Romanian companies and the actions to be taken by Romanian leaders in order to adapt the company activities to the demands of the future evolution of markets.

2. Literature Review

There are many theoretical approaches and opinions about leadership styles, among them, the present article consider authors like Daniels (2004) and Davies & Brundrett (2010) who appreciate that there are four categories of leadership such as:

a. Autocratic Leadership – is based on the concept that the leader knows best and on unidirectional communication to the lower hierarchical levels; leader behaviors are characterized by controlling, being directive, taking decisions and solving problems by himself; impact on employees is reflected by rebellion, hostility.

b. Consultative Leadership - is based on the fact that the leader informs employees about the best ideas; behavior characteristics imply directive approach, holder of information and advisor; impact on employees supposes an increase of knowledge.

c. Participative Leadership – is based on the premise that every employee has to come up with proposals and communication is free, open and mutual; leader acts as facilitator, is a person who holds and shares resources, encourages the active participation of employees; effect on employees is reflected in improved productivity, widening opportunities for professional development, increased cooperation and teamwork;

d. Laissez-faire leadership - leadership responsibilities are assumed by the group, behavior within the group is permissive; it supposes passive approach, provides support and limited feedback, does not set limits; effects on employees can be seen in the failure to accomplish the tasks, ignoring relationships between group members and apathy.

There are many debates regarding this classification. Dukakis et al. (2010) reveal that

there is a negative impact of autocratic leadership in private companies from the public ones reflected by the level of revenues.

Davies and Brundrett (2010) consider that the application of autocratic leadership in time of crisis or high risk is welcome and efficient to achieve the objectives.

By other authors, a classification of leadership in various categories is not practical (Schermerhorn et al., 2011 and Griffin, 2011) because each leadership situation is different regarding its various and unique circumstances and classifying different types of leadership into rigid moulds would not be appropriate for practical reasons.

Another approach of leadership styles was made by Badea (Badea, 2011) that highlighted the timeline of different models of leadership. Leadership is the creation of consensus, guiding employees by psychosocial processes - communication and influencing - for carrying out the activities (Tannenbaum, Weschler and Massarik, 1961). Some authors have put to the forefront the leader's personality (charisma) and his personal qualities - the theory of big men, based on a social, elitist philosophy (Machiavelli). In the late 80s, grows a new type of leadership, charismatic leadership (Conger and Kanungo, 1988) that express charisma not as an attribute, but as social relationship. Another model in the same meaning is transactional leadership (Hollander, 1987). According to this thinking, leadership is a transaction (a mutual influence), a social exchange between leader and subordinates, which implies influence and counter-influence. Cooperation is developed through negotiations and loyalty could be bought with reward to employees (Bass and Avolio, 1993). At the end of the twentieth century a new model arises: transformational

leadership model, strongly centered on individual consideration and intellectual stimulation. Transformational leaders have the ability to recognize the need for change, to build a vision and focus on it, to pursue worthy goals and to bring together people to work cooperatively to achieve the desired goal or the assumed change (Gillis, 2005).

While management can be defined as the process of coordinating human, informational, physical and financial resources to realize the goals of the organization (Reece and O'Grady, 1984), leadership emphasized human resources, especially the person as a distinct entity, and his/her intellectual and emotional transformation in relationship with management and other resources in order to accomplish the final goal, objective of the organization.

3. Leadership styles and financial management of Romanian's companies

Corporate finance theory highlights some important rules for the financial viability and sustainability of a company. In this respect, ensuring long-term and short-term financial equilibrium, that means maintaining the solvency of the company, ensuring an optimum ratio between risk and return on investments, an adequate management of cash-flows and compliance with a sustainable level of indebtedness are the pillars of a successful company from financial point of view.

It is obvious that all these issues will be considered depending on the specific business, its seasonal or cyclical features, the stage of its life cycle, as the economic environment in which that company operates.

Providing financial equilibrium to company implies the existence of a working capital, absolutely a positive value, in order to finance part of current assets through long-term resources. Working capital reflects also the full coverage of long-term assets by long-term resources such as equity and long-term liabilities which is the core of financial solvency of the company. The solvency of the company is defined as the company's ability to cover all debts by total assets.

In the same context, maintaining an optimal balance between the profitability of operations or projects brought by investments and the associated risk should lead to maximize the value of the company, i.e. the wealth of the company owners, that is the primary goal for financial management.

Effective management of cash flows is achieved by registering positive values for cash balance, corresponding to the main three activities or functions involved: operational, investment and financing.

In terms of operational cash flow management, the premise is the existence of a positive value for working capital, that is seen as the difference between current assets and current liabilities, and which is no more than a long-term security margin supported by long-term resources.

As a result, each component of working capital - receivables, inventories and trade payables - should be managed carefully in order to minimize the resources allocated at any time to maximize sales and customer satisfaction.

The financial manager will have to take into account any fluctuations in working capital as conditions change in operating activity. These changes refer either to a depreciation of stocks or an increase in their cost of

storage, either to a too large extension of the period for granting customers credit. In this regard it will be monitored measures such as granting discounts, supplementing the sales of stocks or temporal extension of contractual claims and their effects on receivables or customer satisfaction.

From the perspective of long-term financial management, the financial managers will take into consideration the return and risk associated with equity investments made by the company and their choice on the sources of financing based on weighted average cost of capital and the level of indebtedness of the company. These two components - the investments and their funding - influences the liquidity of assets and the payment term of liabilities and also operational cycle need to secure additional working capital, with important effects on financial balance of the company and the company cash flows.

The above considerations are related to financial management that is seen as a way of management from financial point of view; it is oriented towards creating value for the owners of that company, increasing their wealth in the company. As such, financial management aimed to get positive financial results, to elaborate and manage budgets and processes, to plan, to organize and to control financial operations.

In contrast, leadership means something else because it aims to guide employee towards a common vision, focusing on change, motivation and development. So, while maximizing results is the prerogative of financial management, leadership is oriented to maximize people's motivation and satisfaction on their development within the company (J. Kotter, 2008).

In this regard, it is important to reveal the results of a research conducted

by a consulting company named Result Development. The research was undertaken between February 2009 - March 2011 and considers the views of 110 Romanian managers of the 72 companies - 45 multinational and 27 national companies - on investigating patterns of thinking and behavior, cultural and educational trends and their impact on managerial decisions and actions (Badea, 2011).

The research highlighted the following aspects:

- deficiencies in collaborative relationships between top management and middle management
- manager orientation to problem solving, and on the other hand, short-term focus on the present and less on developing a long-term sustainable performance
- need for integrity, communication and support
- management trend toward intuitive, inspirational, emotional
- strong focus on the present and on getting immediate satisfaction and results
- commitment and dedication to company quantified by overtime work
- low confidence in leadership, motivation tools and involvement of employees
- Regarding the analysis of differences between national and multinational companies the study has shown that there is a much stronger orientation in multinational companies on getting profitable on long-term. The Romanian managers of multinational companies values to a greater extent leadership and strategic thinking, while managers of national companies are more classical oriented towards managerial functions.

Another research conducted by a consulting company named Interact (Luca, 2005)

shows two styles of leadership in Romanian companies:

- Family entrepreneur, for which important are family interests, personal wealth, current profit, possibility of risk and adventure, and ultimately the increase of the organization
- The Founder managing style - in the western region (under German influence) - who acts and feels responsible for the employees and for the the company and wants to create something new, is a risk taker and is interested in adventure, business continuation, honor and reputation.

Both styles need to exercise closely supervision of subordinates and to have skills or inclination for strategic planning.

Romanian employees has a high need for power approach, they need to be treated with trust, to receive permission to freely express their fears and even to be allowed to avoid decisions that seem too risky to them. They also want to have a leader who assumes sometimes those risky decisions on their behalf and who provide support if they try something different.

In Romania it is difficult to delegate responsibility to lower hierarchical levels because employees do not feel comfortable knowing that they have responsibility for the decisions they take, without having a set of procedures to support them in times of difficulty as exists in the case of the German leadership. Many Romanian employees can reach a state of paralysis and inaction as a result of delegating authority and sudden power distribution or they will use this discretionary and only in personal interests or their group interests (Luca, 2005).

The leader who succeed to make changes and to communicate continuously in order

to pave the path of changes will have much success in employee engagement on this path. Changes must be communicated well in advance, with great preparation and minimizing risk to ensure that everyone understands the future direction (Luca, 2005).

Each new change is considered as a problem and an additional stress, even if in the end it turns out that saves effort and increase efficiency. Romanian employees are not excited about the new technological releases and they are not willing to increase the speed of how things are done in the company; instead, multiple changes and process improvements born feelings of fatigue and despair (Luca, 2005).

4. Financial distress of Romanian's compa-nies after financial crisis

The international financial crisis has left deep traces in European economies, which influenced the development of the Romanian economy. Its influence manifested primarily by decreasing access to bank financing of Romanian companies, and secondly by reducing or even disappearance of certain markets for different segments of economic activity. Romanian companies have been negatively surprised by these developments and, as such, the company management had to be taken vital decisions for the company's operation and to apply drastic and urgent measures in this regard.

Financial management has represented and represents a decisive factor in the process instrumentation of adapting the business plan to macroeconomic changes. Taking wrong financial decisions or, even worse, in-decision or inaction of financial management can lead a company in the last stage of his

life, namely insolvency and bankruptcy.

In this regard, Coface Romania, the Romanian branch of the well-known credit insurance company from France, performs periodic reports and researches on financial evolution of Romanian companies.

In the study named "Panorama România Insolvențe" from January 2015 (Guda, 2015, p.16), there is a detailed analysis of the profile of insolvent companies and the causes that lead them in insolvency proceedings. Evolution of Romanian companies that entered into insolvency in 2014 was based on the following stages:

Stage I: 2009 - 2011 was marked by destabilizing companies capital structure, losses was not covered by equity, long-term investments with negative yield were financed by short-term resources and there were an increase of the extention of receivables.

Stage II: 2012 - 2013 was marked by falling sales, gain losses and increase the average duration of receivables.

The branch distribution of insolvent companies highlights the following aspects (Guda, 2015, p.5, 7):

- economic activities which registered the highest number of insolvencies were those on retail (23%), wholesale and distribution (17%) and construction (15%);
- there was a significant decrease in insolvencies recorded in 2014 compared to the previous year, but only statistically, because the decrease of the number of insolvencies is found in proportion of 36% among companies that still do not carry out any activity (turnover recorded nil in 2013), while 43% of insolvencies decrease is recorded among companies with a turnover below 100 K EUR;
- analyzing the phenomenon of insolvencies compared to developments registered

in similar countries from Central and Eastern Europe, Romania registers a very high incidence of insolvencies reported to the number of active companies.

As an important cause for the evolutions presented above, the inappropriate analysis of cash-flows was leading to the insolvency of profitable companies that would be able to avoid this situation. If the company does not have liquidity, profit has no value, such as liquidity was a central issue of the financial crisis started in 2008, and the number of companies liquidated, insolvent or bankrupt increased from one year to another.

Another important factor was the decisions taken by banks in order to maintain a low level of working capital financing, so that cash-flow and liquidity remained vital issues for any company.

Some managers have gone from one extreme to the other, so when they ordered financial funds, they sought to quickly pay some of the debts, without taking into account the liquidity required to continue operations and generate new revenues. This new generated revenues are the main factor that, in time, brings real value to cover new generated debts. An analysis of cash-flows (when, how and what to pay, respectively, when and why the company needs cash) is therefore vital for Romanian companies.

Another aspect that has caused financial problems was a poor management of commercial contracts. An example is the failure to collect advance payments for larger or customized work and subsequently the company risks to remain with unpaid invoices, which sometimes can be fatal.

On the other hand, the Romanian companies must be always careful to cope with an unstable regulatory environment concerning accounting and taxation; those kind

of regulation have a major impact on companies cash-flow in a very short time after their enactment.

The lack of predictability regarding legislative regulations and strategies of the government is an old problem that the business environment in Romania must face it and it affects both domestic companies and foreign investors.

According to the Coface Romania Report (Guda, 2015, p.14, 17) there were some additional factors that destabilized the financial structure of the companies that became insolvent in 2014, namely:

- a more rapid growth of receivables to the increasing turnover - is one of the unsustainable financial trends for the company, leading inevitably to a decline in liquidity and the collapse of production;
- raising short-term debts from suppliers to be invested for the long term - this is a wrong decision that is against the theoretical and practical approaches about the rules of funding of a company;
- long-term investments were unprofitable, so companies amplified their losses from year to year - that has proved inadequate selection of projects and a wrong vision about the future trends of markets;
- steady increase of the average day's sales in receivables - indicates an inadequate commercial risk policy which led to deferred payment of suppliers (increase the average day's sales in payables).

Regarding micro-enterprises in Romania, a Coface Romania Report entitled „Radiografia microintreprinderilor din Romania” (Guda, 2013, p.2-3) highlights the following issues:

- they recorded the highest level of indebtedness 99% (as a percentage of total debt to assets)

- they are the only economic branch which recorded a negative capitalization in the last years

- they have the highest rate of loss, respectively -4.5%

- they recorded the highest day's sales in receivables (172 days) that the one recorded before financial crisis

- they have the lowest percentage of total debt coverage by turnover, 37%

The analyses conducted by Coface Romania raise an alarm on future developments of Romanian companies that have to face with growing financial problems. Therefore, they are especially stressed three consequences on the national economy: the increase of the number of annual insolvencies; the slowing-down of economic regeneration by the naissance of new businesses, that means new registered companies; the increase of bad loans.

5. Conclusions

Status of financial difficulty of a company is defined in economic theory as a crisis situation that could become dramatic by restriction of activity, reducing loans etc.

General aspects that lead to the identification of companies in difficulty are expressed through: insolvency; indebtedness; the existence of a negative working capital or even a negative result; use of existing loans to finance investments; renewal unable credits; failure of suppliers or customers etc.

A company in distress is a company in disequilibrium on industrial, social and financial levels and they are characterized by: maladjustment to the environment, decrease workload and profitability, the use of poor management techniques and tools, low use

of production capacities.

The causes that generate difficulties for companies are diverse and come largely from socio-economic and competitive environment in which the company operates, while the others have domestic nature.

Among the internal causes are: lower inventory turnover and receivables turnover comparing to the standard practice of the economic field; a margin below the standard practice of the economic field; investment financing by sources related to operational activity; recurrent losses from operation; failure of credit renewal.

As specific causes linked to the management and leadership there are:

- inadequate professional training of managers and inability to adapt to market conditions;

- disagreements between managers from different levels

- failure of management accounting

- excessive remuneration of managers

- the existence of incompatibilities with the position of manager of the company

Financial management is a set of concepts, techniques and tools that provide the analysis of internal and external information in order to assess relevant statements on the financial situation of a company and for taking decisions on short and long term on the company's activities.

Unlike management, leadership aims to guide employee towards a common vision, focusing on change, motivation and development.

In this respect, it is important to influence the achievement of positive results in financial management by leadership using both working tools and psychological tools of leadership, as presented below (Badea, 2015).

Working tools of leadership on Financial Management correspond to the followings:

- to have a good level of liquidity
- to reduce operational costs
- to continue to invest in the medium and long
 - to focus on products / services involved (and sell what is non-core); to exit from falling markets
 - to focus on major customers (to retain customers and to select carefully the new ones)
 - to develop excellent relationships with suppliers (including banks)

- to make decisions quickly and take action immediately (to manage risks better)

Psychological tools of leadership on Financial Management refer to the followings:

- to invest in training programs for employees to cope with financial problems
 - to keep employees informed on managers decisions and actions
 - to establish a process of changes
 - to implement a schedule of changes and development
 - to motivate and stimulate others through informal actions

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Central Banks Leadership and their Influence over Financial Markets

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Abstract: *In the years after the global financial crisis, central banks have undergone to a tremendous pressure from financial markets, from the real economy, but also from the population and politicians. Each part is interrelated with each other, but is in different positions in terms of the influence exerted on the other, in terms of the means and instruments through which their interest must prevail against the other parties. In this context, the leadership of a central bank is the key to the proper functioning of a central bank and also to its effectiveness and efficiency. Based on the central bank functions and on some important principles of decision and action, such as independence, transparency and accountability, the leaders of the central banks should provide guidance for the national economy in turbulent times. As a result, the main focus must be concentrate on aspects like: monitoring policy performance, monitoring efficiency of resources, setting functional goals, managing capital adequacy, balance sheet and liquidity, awareness of external perceptions and reputational risks, ensuring good institutional governance.*

Key words: central bank functions, policy formulation and decisions, effectiveness and efficiency of institutional governance, anticipating and avert new challenges, accountability and transparency

JEL Classification: E50, E52, G20, G28

1. Introduction

In the years after the global financial crisis, central banks have undergone to a tremendous pressure from financial markets, from the real economy, but also from the population and politicians. Each part is interrelated with each other, but is in different positions in terms of the influence exerted on the other, in terms of the means and instruments through which their interest must prevail against the other parties. In this context, the leadership of a central bank is the key to the proper functioning of a central bank and also to its effectiveness and efficiency. Based on the central bank functions and on some important principles of decision and action, such as independence, transparency and accountability, the leaders of the central banks should provide guidance for the national economy in turbulent times. As a result, the main focus must be concentrate on aspects like: monitoring policy performance, monitoring efficiency of resources, setting functional goals, managing capital adequacy, balance sheet and liquidity, awareness of external perceptions and reputational risks, ensuring good institutional governance.

2. Central Bank Functions and leadership

There are many controversial debates about the functions of a central bank because, in fact, that depends on the relationship between the central bank and the political power, especially the government, and it is linked with the level of economic development in the country and its historical roots. Many researches and paper works have tried to highlight the basic functions of a central bank but an IMF paper (Collins, 1983) has

summarized properly this fundamental aspect by categorizing the functions as well:

- Currency issue and foreign exchange reserve management;
- Banker to the government;
- Banker to commercial banks;
- Regulation of the financial system;
- Monetary and credit policy.

Starting this functions of a central bank, there are some important principles of decision and action, namely:

a) Independence. Economic theory and international practice shows that independent central banks can take two forms: independence in decisions regarding the targets (independence in wider sense) and the instruments used and independence regarding the instruments used to apply the government targets (limited independence). In this regard it has been established organizational principles that have defined several features highlighting the degree of central bank independence, such as:

- Statutory guarantees of independence;
- Mentioning the position of independence from the government in the status of the central bank;
- Methods for appointment and dismissal of the governor;
- Length of holding the position of governor;
- Presence or absence of government officials in the central bank's management;
- How central bank is limited by government regulations;
- Central bank limits to finances the government;

How government can alter previous decisions of the central bank.

b) Transparency. The way the central bank provides the government, the general

public and the markets with all important information on its strategy and policy decisions must rely on an open, clear and timely manner of communication. Transparency helps public and institutions to understand better the central bank policies and actions and, therefore, it makes those more credible and predictable.

c) Accountability. As an independent institution with public functions, the central bank must be accountable to general public and to the parliament for the conduct of its policies. That means the central bank has a statutory obligation to report regularly about their assessments, decisions and actions i.e. quarterly reports, governors speeches and regular press conferences to the public.

Following the objectives and functions that must meet a central bank on the basis of applying the above principles, a central bank leadership must appeal to a wide range of methods, techniques and tools to put into practice the settled commitments.

They will be put in practice in different manners depending on human typology, the level of knowledge and managerial situation involved.

In this respect, they will follow:

- precise definition of objectives to be achieved through leadership;
- information transmission in order to raise awareness and knowledge, to attract and to persuade subordinates
- tasking leader and subordinates depending on the objectives of leadership;
- delegate the tasks, powers and authority;
- implement of the mentoring and guidance to increase the potential for professional development of subordinates;
- attracting informal leaders to achieve the targets;

making coalitions with leaders from other public institutions and from the government.

Leadership in a central bank should be based on management benefits in terms of organizational effectiveness, mutual trust between employees, application of effective motivation methods and promoting team spirit. In that way, it is important to take into consideration: analyzing the performance criteria to assure an equitable distribution regarding bonuses, training, promotion; achievement of motivation and communication systems based on mutual trust; team building to encourage team spirit and getting the group performance through individual performance.

3. Central Bank and their role on Financial Markets

Central banks currently meet a rapidly changing environment and to respond successfully to these changes, they must put more emphasis on leadership.

The constraints faced by central banks relate to (Mendzela, 2003):

- Improper organizational structures in order to support actual functions well;
- Overload tasks at the top management as a result of insufficient and ineffective delegation;
- Incapacity of attracting and retaining talented employees;
- Proliferation of departments based on growing resource levels;
- Inappropriate remuneration to long-serving staff at an above-market level.

That kind of constraints and mistakes that central banks have done in the years before financial crisis brought into attention

some lessons for the future (Mendzela, 2009):

- Central banks and regulatory agencies failed;
- Central banking is increasingly a global activity, not a national one;
- Governance perspectives need to be simple and profound;
- Regulation can only succeed with streetwise regulators;
- Efforts to modernise institutional governance and management in central banking have achieved little.

As a result, the main focus must be concentrate on aspects like: monitoring policy performance, monitoring efficiency of resources, setting functional goals, managing capital adequacy, balance sheet and liquidity, awareness of external perceptions and reputational risks, ensuring good institutional governance.

Monetary policy is a means of maintaining price stability and fighting inflation, but should accompany fiscal policy in regulating growth. Therefore monitoring the use of monetary policy instruments and their effectiveness is an objective in order to achieve a good leadership conduct of a central bank.

Setting a feasible target for monetary policy and its fulfillment must be rigorously based on:

- accumulating a gain of credibility of the central bank and its consolidation;
- exchange rate flexibility and reducing the vulnerability of the economy to fluctuations of this variable;
- healing and strengthening the banking system and increasing bank intermediation;
- enhancing transparency and accountability of the central bank and the scope and intensity of communication with the public and financial markets;

- wider analysis of macroeconomic behaviors and economic mechanisms for identifying the correct functioning of the economy and increasing the effectiveness of monetary transmission channels.

In conducting money market operations the central bank has a regulatory role. The money market is a market where central bank provides liquidity by delivering currency against a promise of reimbursement in the short term, i.e. the credit. So credit is granted by central bank money.

Thus, when the market, considered by algebraic sum of global operations, manifests as the requesting central bank currency it is said to be "en banque", that means market liquidity is assured by the central bank that can satisfy liquidity demands. In the other case, the market is "out of the bank" ("hors banque") if it has a surplus of global liquidity, thus market is outside the control of the central bank.

Money market participants are polarized between the central bank and other banks. The central bank policy defines the interbank market by the interests they defend. The central bank may intervene in the money market either by setting the level of interest, either by setting loan volume. In respect of its interests, according to the monetary and credit policy, central bank intervention can be very active or, on the contrary, one marginal.

Short-term interest rate is the instrument by which a central bank makes its monetary policy operations. Typically, the central bank sets monetary policy rate conditioned by developments in the macroeconomic environment in order to achieve its final goals of price stability and financial stability. Management of aggregate demand operates through various transmission channels one

of which is monetary policy rate affecting all asset prices, net of balance sheet items and banks' lending behavior.

Not only short-term interest rate influences the decision taking process of companies, households and governments. A whole set of different interest rates by maturities affect debt management decisions. Aggregate demand is mainly driven by the movements of long-term real interest rates. Taking as a basis the monetary policy interest rate, the term structure of interest rates assumes an important role for maintaining effective monetary policy.

By R. Fendel (2007), essential for monetary policy conduct are three elements closely linked and that occurs in the presence of the yield curve effects. First, bond prices and other financial assets prices reflects market views about the future, providing timely information and insight on a number of macroeconomic and financial factors that are fundamental bay their importance for decision makers of monetary policy. Secondly, given the importance of the yield curve in monetary transmission channels through which monetary policy decisions affect the term structure of interest rates and, in turn, other variables units, must be fixed from top to bottom. Finally, the implementation of a monetary policy strategy can be described by a short-term reaction function, either derived from a simple rule, for example Taylor's rule or from a routing rule like the strategy of flexible inflation targeting.

4. Influence of Central Bank Leadership over Financial Markets

A main question arises concerning leadership and management of a central bank

and that is: who are the people that are considered to be as influencing factors in a central bank? The answer is multiple but first of all refers to the Governor.

The governor of a central bank must be characterized by extreme discretion and the ability to say what is need to be said, neither more nor less and those are mandatory qualities. There is a mix of qualities that might be needed at senior levels in a central bank like the ability to decide about a wide range of economic and financial data and information and analyze them with open mind and vision on the future.

A central bank governor must have expertise in areas like monetary policy and financial stability, supervision of banks and payment systems. He must be able to explain clearly to politicians and the general public how it is carrying out the policies actions through complicated tasks and must have diplomatic skills in order to prevent clashes between the bank's policies. Governors do need to understand how national and global financial markets works, both in a technical sense and also in terms of psychology of markets participants. Also the task of explaining and defending policy decisions is more and more important for their approval in parliament or in public forums and the media.

"Today's ideal governor is therefore a first-rank macroeconomist who also understands financial markets, albeit one open-minded enough to listen to dissenting views, who has experience of chairing meetings, and who has a stubborn streak, yet also a silver tongue." (Davies & Green, 2010).

Besides the governor, a special importance in the order of their rank has the Deputy Governors, the subordinated directors and the central bank spokesman.

The behavior of those charged with making decisions about what action to take includes the need to persuade others, including the markets, in that way to convince them central bank decisions are appropriate, without any doubt of uncertainty and not put into question. There is a promotion of a belief in infallibility of the decisions and actions taken by central bank leadership.

The process of generating public statements remains highly disciplined and requires sticking to the official point of view even it is appeared not to be a positive virtue in being repetitive to the general public.

There is also a desire to make no mistakes at all and so, communication and transparency to the public could appear full of ambiguity as a way to keep options open for further developments in actions taking.

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Healthcare Fraud Investigations

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Abstract: Tax healthcare fraud and tax evasion affects us all. It occurs within a country and across countries both within the EU, USA and globally. That is why a single country cannot solve the problem on its own. The EU and Member States need to work more together and internationally to combat the problem at home and abroad.

Open dialogue involving the European Commission, stakeholders and interested parties helps ensure that existing rules and proposals for new rules are designed to keep pace with the reality of rapid change. This dialogue helps to achieve the regulatory efficiency we need to foster best administrative and legislative practice tailored to meet the needs of business in the European Union in the third millennium.

Key words: "Tax fraud", "tax evasion", "healthcare", "white-collar crime", "examples"

Health care fraud is a type of white collar crime that involves the filing of dishonest health care claims in order to turn a profit. Fraudulent health care schemes come in many forms. Practitioner schemes include: individuals obtaining subsidized or fully-covered prescription pills that are actually

unnecessary and then selling them on the black market for a profit; billing by practitioners for care that they never rendered; filing duplicate claims for the same service rendered; altering the dates, description of services, or identities of members or providers; billing for a non-covered service as a covered service;

modifying medical records; intentional incorrect reporting of diagnoses or procedures to maximize payment; use of unlicensed staff; accepting or giving kickbacks for member referrals; waiving member co-pays; and prescribing additional or unnecessary treatment. Members can commit health care fraud by providing false information when applying for programs or services, forging or selling prescription drugs, using transportation benefits for non-medical related purposes, and loaning or using another's insurance card.

The phrase "white-collar crime" was coined in 1939 during a speech given by Edwin Sutherland to the American Sociological Society. Sutherland defined the term as "crime committed by a person of respectability and high social status in the course of his occupation." Although there has been some debate as to what qualifies as a white-collar crime, the term today generally encompasses a variety of nonviolent crimes usually committed in commercial situations for financial gain. Many white-collar crimes are especially difficult to prosecute because the perpetrators use sophisticated means to conceal their activities through a series of complex transactions. The most common white-collar offenses include: antitrust violations, computer and internet fraud, credit card fraud, phone and telemarketing fraud, bankruptcy fraud, healthcare fraud, environmental law violations, insurance fraud, mail fraud, government fraud, tax evasion, financial fraud, securities fraud, insider trading, bribery, kickbacks, counterfeiting, public corruption, money laundering, embezzlement, economic espionage and trade secret theft. According to the Federal Bureau of Investigation, white-collar crime is estimated to cost the United States more than

\$300 billion annually. Although typically the government charges individuals for white-collar crimes, the government has the power to sanction corporations as well for these offenses. The penalties for white-collar offenses include fines, home detention, community confinement, paying the cost of prosecution, forfeitures, restitution, supervised release, and imprisonment. However, sanctions can be lessened if the defendant takes responsibility for the crime and assists the authorities in their investigation. Any defenses available to non-white-collar defendants in criminal court are also available to those accused of white-collar crimes. A common refrain of individuals or organizations facing white-collar criminal charges is the defense of entrapment. For instance, in *United States v. Williams*, 705 F.2d 603 (2nd Cir. 1983), one of the cases arising from "Operation Abscam," Senator Harrison Williams attempted unsuccessfully to argue that the government induced him into accepting a bribe.

Both state and federal legislation enumerate the activities that constitute white-collar criminal offenses. The Commerce Clause of the U.S. Constitution gives the federal government the authority to regulate white-collar crime, and a number of federal agencies (see sidebar), including the FBI, the Internal Revenue Service, the Secret Service, U.S. Customs, the Environmental Protection Agency, and the Securities and Exchange Commission, participate in the enforcement of federal white-collar crime legislation. In addition, most states employ their own agencies to enforce white-collar crime laws at the state level.

When a health care fraud is perpetrated, the health care provider passes the costs along to its customers. Because of the

pervasiveness of health care fraud, statistics now show that 10 cents of every dollar spent on health care goes toward paying for fraudulent health care claims.

Congressional legislation requires that health care insurance pay a legitimate claim within 30 days. The Federal Bureau of Investigation, the U.S. Postal Service, and the Office of the Inspector General all are charged with the responsibility of investigating healthcare fraud. However, because of the 30-day rule, these agencies rarely have enough time to perform an adequate investigation before an insurer has to pay.

A successful prosecution of a health care provider that ends in a conviction can have serious consequences. The health care provider faces incarceration, fines, and possibly losing the right to practice in the medical industry.

The following examples of healthcare fraud investigations are written from public record documents on file in the courts within the judicial district where the cases were prosecuted.

Former Office Manager/Bookkeeper Sentenced for Wire Fraud and Tax Evasion

On Sept. 25, 2014, in Columbia, South Carolina, Chandra Padgett, of Batesburg, was sentenced to 87 months in prison for her conviction on charges of wire fraud and tax evasion. According to court documents, Padgett was an office manager and bookkeeper for a pain clinic. Padgett set up a shell company named PSS (Padgett Specialty Scrapbooking Services). The name PSS was shared with her employer's primary vendor and allowed Padgett to send bogus invoices for payment. Between June 2008 and December 2010, Padgett created checks from her employer's

account payable to her company PSS and deposited them in to an account to which she had primary control. Padgett also used her position as bookkeeper and office manager to increase her own salary without her employer's authorization or knowledge. Padgett was ordered to pay restitution to her employer and the Internal Revenue Service.

Nurse-CEO Sentenced for Health Care Fraud and Money Laundering

On Sept. 15, 2014, in Des Moines, Iowa, Angela Shae Ellison, of Centerville, Iowa, the former owner and CEO of Cornerstone Counseling Center, was sentenced to 12 months and a day in prison and ordered to pay \$724,359 in restitution. Ellison previously pleaded guilty to charges of health care fraud and money laundering. According to court documents, Ellison, who previously worked as a nurse, orchestrated a fraudulent billing scheme in which she directed employees of Cornerstone Counseling Center to bill various insurance companies over 6,000 times using the names and national provider identification number of various doctors who did not perform the services for which the bills were submitted. Many of the fraudulent bills involved the name and identification number of a doctor who never performed any work for the Center. Over \$1 million in bogus bills were submitted, and the various insurance entities paid out more than \$700,000 in claims.

Owner of Tax Return Preparation Franchise and Health Provider Business Sentenced To Prison

On Sept. 11, 2014, in Greensboro, North Carolina, Claude Arthur Verbal II, formerly of Raleigh, North Carolina, and now of

Miami, was sentenced to 135 months in prison for tax fraud, healthcare fraud and money laundering crimes in two separate cases. Verbal was also ordered to serve three years of supervised release and to pay restitution of \$4,078,584 to the Internal Revenue Service (IRS) and \$2,382,378 to the North Carolina Department of Health and Human Services. On April 9, Verbal pleaded guilty to one count of conspiracy to defraud the United States, one count of aiding and assisting the preparation of false tax returns, one count of healthcare fraud and one count of money laundering. Verbal was the owner of Nothing But Taxes (NBT), that operated from 2005 to at least 2012. Verbal personally prepared false tax returns for clients and taught and encouraged his employees to do so as well. Verbal and employees frequently offered clients a dramatically larger tax refund if the client agreed to make a cash payment to their tax preparer over and above the flat return preparation fee that NBT charged every client, whether or not their return was falsified. In a separate case, Verbal was the owner and operator of Infinite Wellness Concepts (IWC), a Medicaid behavioral health provider with several locations in North Carolina. IWC was contracted to provide group therapy, intensive in-home services, and enhanced mental health and substance abuse services. Verbal acquired at least \$1 million in fraudulently obtained funds from the Medicaid program. The money laundering charge to which Verbal pleaded guilty relates to the purchase of a \$52,000 diamond ring with the proceeds of healthcare fraud.

Leader of \$20 Million Fraud Scheme Sentenced on Conspiracy Charges

On Aug. 18, 2014, in Los Angeles, California, Lianna "Lili" Ovsepien, of Tujunga, was sentenced to 96 months in

prison and ordered to pay \$9,146,137 in restitution to Medicare and Medi-Cal. In November 2013, Ovsepien pleaded guilty to conspiracy to commit health care fraud and conspiracy to commit identity theft. According to court documents, Ovsepien was the manager and owner of Manor Medical Imaging, Inc., which generated thousands of fraudulent prescriptions for unneeded and expensive anti-psychotic medications for "patients" who were typically low-income beneficiaries of the government-funded health care programs Medicare and Medi-Cal, and who did not need those drugs. The beneficiaries who received the prescriptions were brought to pharmacies, where the prescriptions were filled. The drugs were returned to Manor, the "patients" were given nominal payments (usually around \$100), and the drugs were diverted into the black market, where they were sold to other pharmacies and re-billed to health care programs as though the drugs were being dispensed for the first time. The beneficiaries included veterans recruited from dual diagnosis programs for drug addiction and schizophrenia, elderly Medicare beneficiaries whose identities were stolen and homeless beneficiaries recruited from skid row. From September 2009 through October 27, 2011, Medi-Cal and Medicare was billed more than \$20 million, and the programs paid more than \$9.1 million to pharmacies based on more than 14,000 claims submitted in relation to the scheme.

Chiropractor and Office Assistant Sentenced in Staged Automobile Accident Scheme

On Aug. 8, 2014, in Miami, Florida, Lawrence Schechtman, chiropractor, of Parkland, and Sircy Sacerio, aka "Sisi" aka "Sircy Santos", receptionist and office

assistant, of Palm Springs, were sentenced for their participation in an automobile insurance fraud scheme involving staged automobile accidents. Schechtman was sentenced to 52 months in prison, two years of supervised release and ordered to pay \$2,446,906 in restitution. Sacerio was sentenced to 48 months in prison, two years of supervised release and ordered to pay \$1,146,824 in restitution. Both previously pleaded guilty to conspiracy to commit mail fraud and mail fraud. According to court documents, between approximately October 2006 and December 2012, the conspiracy members staged automobile accidents by recruiting individuals to participate in the accidents. The clinic owners caused the submission of false insurance claims through chiropractic clinics that were controlled by members of the conspiracy. To execute the scheme, the true owners of the chiropractic clinics recruited individuals who had the medical or chiropractic licenses required by the state to open a clinic, including Schechtman, to act as "nominee owners" of the clinics. The co-conspirators also hired complicit licensed chiropractors, including Schechtman, who prescribed and billed for unnecessary treatments and/or for services that had not been rendered. Complicit clinic employees, including Sacerio, prepared and submitted claims to the automobile insurance companies for payment for these unnecessary or non-rendered services. Twenty-one clinics participated in this scheme. To date 92 defendants have been charged for their participation in the scheme.

New Jersey Doctor Sentenced for Accepting Bribes for Test Referrals

On July 7, in Newark, New Jersey, Dennis Aponte, of Cedar Grove, was

sentenced to 24 months in prison, one year of supervised release, fined \$50,000 and ordered to forfeit \$235,000. Aponte, a doctor, previously pleaded guilty to violating the Federal Travel Act. According to court documents, Aponte accepted tens of thousands of dollars in bribes from Parsippany-based Biodiagnostic Laboratory Services LLC (BLS) as part of a long-running scheme operated by the lab, its president, and numerous associates. According to court documents, Aponte admitted that he and the BLS president, David Nicoll, agreed that BLS would pay Aponte bribes to refer to BLS blood specimens from the patients of his West New York, New Jersey medical practice. From October 2012 to March 2013, Aponte was paid approximately \$3,000 per month in cash in return for blood specimens referred to BLS. The lab made more than \$175,000 through testing on blood specimens referred by Aponte.

California Woman Sentenced in Health Care Fraud Scheme

On April 14, 2014 in Los Angeles, Calif., Susanna Artsruni was sentenced to 76 months in prison and ordered to pay \$9,624,556 in restitution. Artsruni previously pleaded guilty to one count of health care fraud and one count of money laundering. According to court documents, Artsruni formerly owned a durable medical equipment (DME) company and worked at a number of medical clinics in Los Angeles. She orchestrated a scheme that submitted nearly \$25 million in fraudulent bills to Medicare for services and supplies that were medically unnecessary and sometimes were never provided. In one part of the scheme, Artsruni had physician's assistants at three Los Angeles medical clinics

sign prescriptions and orders for medically unnecessary DME and diagnostic tests that were later referred to other Medicare providers that billed for the equipment and tests. Artsruni also caused the three clinics to bill Medicare for medically unnecessary services. Artsruni fraudulently billed Medicare on behalf of her own DME supply company, Midvalley Medical Supply in Van Nuys, for medically unnecessary DME based on referrals from one of the three medical clinics. In total, Artsruni caused more than \$24.8 million in fraudulent claims to be submitted to Medicare, which paid more than \$9.6 million on the bogus bills. In addition, Artsruni wrote checks totaling more than \$35,000 from the Midvalley bank account to three corporations that had no connection to the medical industry. She wrote these checks to conceal the nature of the funds as the proceeds of health care fraud and used the three corporations to launder these funds.

Two Women Sentenced for Using Stolen Identities to Claim Millions from Medicaid

On April 9, 2014, in Charlotte, N.C., Victoria Finney Brewton, of Shelby, N.C., was sentenced to 111 months in prison, three years of supervised release and ordered to pay \$7,070,426 in restitution to Medicaid and \$573,392 to IRS. On April 8, 2014, co-defendant, Rodnisha Sade Cannon, of Charlotte, was sentenced to 102 months in prison, three years court supervised release and ordered to pay \$2,541,306 in restitution. In January 2013, Brewton pleaded guilty to health care fraud and health care fraud conspiracy, aggravated identity theft and filing false tax returns. Cannon pleaded guilty in April 2013

to health care fraud conspiracy, aggravated identity theft, money laundering conspiracy and to attempting to remove property subject to seizure. According to court documents and court proceedings, from 2008 to 2012, Brewton operated a series of after-school and summer childcare programs in Shelby. Brewton recruited juvenile Medicaid beneficiaries through their families to sign up for these programs, promising the programs would be free for Medicaid recipients. Court records show that Brewton stole the Medicaid recipient numbers of some of the children and families who had signed up for the programs and fraudulently billed Medicaid for mental and behavioral health services which were never provided. Brewton was not a Medicaid-approved provider but submitted the fraudulent reimbursement claims through other Medicaid-approved providers, some of whom did not know their information had been compromised. Cannon initially worked as a patient recruiter for Brewton, providing Brewton with the personal information of Medicaid recipients, which Brewton then used to file fraudulent reimbursement claims with Medicaid. Cannon later began running her own similar health care fraud scheme, that attempted to defraud Medicaid in fraudulent reimbursement claims using the stolen identities of patients and therapists. In total, Cannon and her conspirators submitted approximately \$4.8 million in false claims.

Brothers Sentenced for Health Care Fraud

On March 19, 2014, in Charleston, S.C., Truman Lewis, of Charlotte, and his brother Norman Lewis, of Georgetown, were sentenced for participating in a conspiracy to

commit health care fraud and money laundering. Truman Lewis was sentenced to 120 months in prison and Norman Lewis was sentenced to 90 months in prison. Both were ordered to pay \$3,307,967 in restitution to Medicaid. According to trial evidence, Truman and Norman Lewis billed Medicaid for almost \$9 million in a 22-month period, with much of the billing being fraudulent. The defendants ran a for-profit youth mentoring service called Helping Hands Youth and Family Services, which had offices in Georgetown, Conway, Rock Hill, and Columbia. The defendants billed for weekends when children were not seen, for periods of time before children were in the program, for periods of time after the children had left the program, and for children who had no diagnosis to justify billing.

Georgia Doctor Sentenced for Defrauding Medicare and IRS

On Feb. 20, 2014, in Atlanta, Ga., Lawrence Eppelbaum was sentenced to 50 months in prison and fined \$3.5 million after a jury found him guilty on 27 counts of healthcare fraud, tax fraud and money laundering. According information presented in court, Eppelbaum is a physician who is licensed to practice medicine in Georgia and operates the "Atlanta Institute of Medicine and Rehabilitation" ("AIMR") and the "Pain Clinic of AIMR" in Atlanta. In 2004, Eppelbaum created the "Back Pain Fund," a purported charitable organization that he controlled both directly and indirectly. Eppelbaum, through the Back Pain Fund, paid for Medicare patients to travel to Atlanta to receive medical treatment from his practice, then travel to Florida to visit a local hot

spring for approximately four days, before returning to Atlanta to receive additional treatment. Eppelbaum was the primary donor to the Back Pain Fund and paid the vast majority of its operating expenses. Eppelbaum tried to disguise his financial control over the Back Pain Fund by entering into an arrangement with a school in Atlanta, whereby the parents of students attending the school were instructed to make their tuition checks payable to the Back Pain Fund instead of to the school, and in turn, Eppelbaum repaid the school for the amount of the tuition, plus an additional 25 percent. Eppelbaum entered into similar arrangements with other organizations, and even caused patients who were treated at his medical practice to make their checks payable to the Back Pain Fund. Between 2004 and 2009, Eppelbaum treated hundreds of Back Pain Fund patients and received approximately \$16 million for their treatment from Medicare. Eppelbaum also utilized the Back Pain Fund as a vehicle for committing tax fraud. Between 2006 through 2008, Eppelbaum deducted as charitable donations all the payments he made to the Back Pain Fund, the school and other organizations with which he had a financial arrangement, even though Eppelbaum derived substantial personal income from treating Back Pain Fund patients. Eppelbaum evaded approximately \$1 million in federal income taxes through his scheme.

Wyoming Man Sentenced for Role in Healthcare Fraud

On January 27, 2014, in Cheyenne, Wyo., Paul D. Cardwell, of Tipton, Ind., was sentenced to 121 months in prison, three years of supervised release and ordered to pay

\$1,698,644 in restitution. Cardwell pleaded guilty to conspiracy to commit mail and wire fraud and conspiracy to commit money laundering. Cardwell was arrested in Hua Hin, Thailand. According to court documents, Cardwell was the Chief Executive Officer (CEO) at Powell Valley Healthcare (PVHC), Inc. Beginning about March 2011 and continuing through September 2011, Cardwell and his co-defendant entered into a conspiracy to defraud PVHC of \$847,884 through a fraudulent billing scheme.

Georgia Man Sentenced for Filing False Claims

On January 10, 2014, in Augusta, Ga., Jeffrey Sponseller was sentenced to 33 months in prison, three years of supervised release and ordered to pay \$441,729 in restitution. Sponseller previously pleaded guilty to one count of false claims. According to court documents, Sponseller was an optometrist and owner of Eye Care One, a medical company which purportedly specialized in comprehensive vision care at nursing home facilities. On July 27, 2009 Sponseller visited a nursing facility and later submitted claims to Medicare for over \$30,000 for 177 patients. From January 1, 2008 through February 24, 2011, Sponseller billed Medicare for more than \$800,000. Many of these claims were false and fraudulent in that the specific health care services were not provided.

Defendant Sentenced for Structuring Monetary Transactions

On November 21, 2013, in Los Angeles, Calif., Theanna Khou, aka San Huy Khou, was sentenced to 12 months and one day in prison and three years of supervised release. Khou pleaded guilty in August 2013

to structuring monetary transactions to evade reporting requirements. According to court documents, Khou and a co-defendant owned and operated Huntington Pharmacy. Between approximately August 2009 and November 2009, Khou structured approximately \$105,826 in cash deposits. The cash was proceeds from the sale of oxycontin that Huntington Pharmacy dispensed without medical necessity based on fraudulent prescription issued by a clinic. In addition, Khou entered into an agreement with others operating Manor Medical Imaging, Inc. to fill large volumes of prescriptions for anti-psychotic medications that were not medically needed. Khou, through Huntington Pharmacy, billed Medicare and Medi-Cal for the service of filling the prescriptions.

Owner of Home Health Companies Sentenced for Role in \$20 Million Health Care Fraud Scheme

On November 21, 2013, in Miami, Fla., Roberto Marrero, of Miami, was sentenced 120 months in prison. In September 2013, Marrero pleaded guilty to conspiracy to commit health care fraud and conspiracy to receive and pay health care kickbacks. Marrero was an owner and operator of Trust Care, a Miami home health care agency that purported to provide home health and physical therapy services to Medicare beneficiaries. According to court documents, Marrero and his co-conspirators operated Trust Care for the purpose of billing the Medicare Program for, among other things, expensive physical therapy and home health care services that were not medically necessary and/or were not provided. Marrero was also responsible for negotiating and paying kickbacks and bribes, interacting with patient recruiters,

and coordinating and overseeing the submission of fraudulent claims to the Medicare program. Marrero and his co-conspirators paid kickbacks and bribes to patient recruiters in return for the recruiters providing patients to Trust Care. Marrero and his co-conspirators also paid kickbacks and bribes to co-conspirators in doctors' offices and clinics in exchange for home health and therapy prescriptions, medical certifications and other documentation. Marrero and his co-conspirators used these prescriptions, medical certifications and other documentation to fraudulently bill the Medicare program. From approximately March 2007 through at least October 2010, Trust Care submitted more than \$20 million in claims for home health services. Medicare paid Trust Care more than \$15 million for these fraudulent claims. Marrero and his co-conspirators have also acknowledged their involvement in similar fraudulent schemes at several other Miami health care agencies with estimated total losses of approximately \$50 million. Co-conspirators Sandra Fernandez Viera, Patricia Morcate, and Enrique Rodriguez, all of Miami, pleaded guilty to related charges, including conspiracy to commit health care fraud and conspiracy to receive and pay health care kickbacks. On November 13, 2013, Fernandez Viera was sentenced to 120 months in prison; Morcate was sentenced to 60 months; and Rodriguez was sentenced to 57 months.

Prominent Cardiologist Sentenced for \$19 Million Billing Fraud Scheme

On November 20, 2013, in Newark, N.J., Jose Katz, of Closter, N.J., was sentenced to

78 months in prison, three years of supervised release and ordered to pay \$19 million in restitution. Katz, a well-known cardiologist and the founder, CEO and sole owner of two large medical services companies in New Jersey and New York, previously pleaded guilty to an information charging him with one count of conspiracy to commit health care fraud. He also pleaded guilty to one count of Social Security fraud arising from a separate scheme to give his wife a "no show" job and make her eligible for Social Security benefits. According to court documents, from 2004 through 2012, Katz conspired to bill Medicare Part B, Medicaid, Empire BCBS, Aetna and others for unnecessary tests and unnecessary procedures based on false diagnoses and for medical services rendered by unlicensed practitioners. Katz agreed that the loss amount sustained by Medicare, Medicaid and other insurers victimized by the fraudulent billings was \$19 million. In addition, from 2005 through 2012, Katz kept his wife on Cardio-Med's payroll though she performed little or no work. During the course of the scheme, Katz sent false W-2 forms for calendar years 2005 through 2011 to the Social Security Administration purportedly reflecting \$1,251,604 in earnings for his wife, making her eligible for an estimated \$263,000 in Social Security benefits to which she was not entitled.

Indiana Woman Sentenced for State Medicaid Fraud and Failure to File Federal Taxes

On October 25, 2013, in Hammond, Ind., Regina Cabell, of West Lafayette, Ind., was sentenced to 18 months in prison, one year

of supervised release and ordered to pay \$79,871 in restitution to the Indiana Medicaid Program. Cabell previously pleaded guilty to Medicaid fraud and failure to file a tax return. According to court documents, from about May 2010 through February 2012, Cabel, doing business as L&G Transportation, participated in a scheme to defraud the Indiana Medicaid Program by submitting false claims for providing transportation services

to Indiana Medicaid recipients. Cabel submitted claims containing inflated mileage claims and/or transportation that did not actually occur. Further, during the calendar year 2011, Cabell, doing business as L&G Transportation, received gross income of \$297,567. However, she willfully failed to file a tax return for the 2011 calendar year.

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Criminal falsification of medicines in EU

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Abstract: *Falsified medicines (the term 'falsified' is used to distinguish the issue from IP violations, so-called 'counterfeits') are a major threat to public health and safety. As falsifications become more sophisticated, the risk that falsified medicines reach patients in the EU increases every year. Falsified medicines represent a serious threat to global health and call for a comprehensive strategy both at European and international level.*

Key words: "Falsified medicines", "health", "safety", "European Union", "international level"

Falsified medicines are fake medicines that pass themselves off as real, authorized medicines. Falsified medicines might contain ingredients, including active ingredients, which are of bad quality or in the wrong dose – either too high or too low. As they have not been properly evaluated to check their quality, safety and efficacy - as required by strict EU authorization procedures - this could be detrimental to your health. Falsified

medicines (the term 'falsified' is used to distinguish the infringement to intellectual property rights, so-called 'counterfeits') are a major threat to public health. As falsifications become more sophisticated, the risk that falsified medicines reach patients in the EU increases every year.

Following adoption by the Council and the European Parliament, the new legislation

on falsified medicines was published on 1 July in the Official Journal of the European Union.

The new legislation will be applicable on 2 January 2013. This legislation is the outcome of the legal proposal that the Commission put forward in December 2008.

The new legislation introduces tougher rules to improve the protection of public health with new harmonized, pan-European measures to ensure that medicines are safe and that the trade in medicines is rigorously controlled.

To this end, these new measures include:

- An obligatory authenticity feature on the outer packaging of the medicines : this feature will be decided at a later stage via a delegated act;
- A common, EU-wide logo to identify legal online pharmacies. This would make it easier to distinguish between legal and illegal online pharmacies throughout the European Union;
- Tougher rules on the controls and inspections of producers of active pharmaceutical ingredients; and
- Strengthened record-keeping requirements for wholesale distributors

Member States have to transpose Directive 2011/62/EU by 2 January 2013 into national law. An overview of the transposition status of all Member States, together with a reference to the transposing national law

Directive 2001/83/EC of the European Parliament and of the Council (4) lays down the rules for, inter alia, manufacturing, importing, placing on the market, and the wholesale distribution of medicinal products in the Union as well as rules relating to active substances. There is an alarming increase

of medicinal products detected in the Union which are falsified in relation to their identity, history or source. Those products usually contain sub-standard or falsified ingredients, or no ingredients or ingredients, including active substances, in the wrong dosage thus posing an important threat to public health.

Past experience shows that such falsified medicinal products do not reach patients only through illegal means, but via the legal supply chain as well. This poses a particular threat to human health and may lead to a lack of trust of the patient also in the legal supply chain. Directive 2001/83/EC should be amended in order to respond to this increasing threat.

The threat to public health is also recognised by the World Health Organisation (WHO), which set up the International Medical Products Anti-Counterfeiting Taskforce ('IMPACT'). IMPACT developed Principles and Elements for National Legislation against Counterfeit Medical Products, which were endorsed by the IMPACT General Meeting in Lisbon on 12 December 2007. The Union participated actively in IMPACT. IMPACT Planning Group members have taken note of the recent discussions of the World Health Organization's (WHO) Working Group on Substandard/Spurious/Falsely-Labeled/Falsified/Counterfeit (SSFFC) Medical Products, which recognized that the work undertaken thus far by the International Medical Product Anti-Counterfeiting Task Force (IMPACT) has delivered valuable results to countries around the world.

The Report of the Working Group on SSFFC Medical Products recognizes that WHO's key role in protecting public health has to include the fight against SSFFC medicinal products, notably in the areas of information exchange and awareness raising, in

developing/updating/promoting norms and standards, and providing technical support to countries to build and further strengthen national regulatory infrastructures and capacity.¹

A definition of 'falsified medicinal product' should be introduced in order to clearly distinguish falsified. Persons procuring, holding, storing, supplying or exporting medicinal products are only entitled to pursue their activities if they meet the requirements for obtaining a wholesale distribution authorisation in accordance with Directive 2001/83/EC. However, today's distribution network for medicinal products is increasingly complex and involves many players who are not necessarily wholesale distributors as referred to in that Directive. In order to ensure the reliability of the supply chain, legislation in relation to medicinal products should address all actors in the supply chain. This includes not only wholesale distributors, whether or not they physically handle the medicinal products, but also brokers who are involved in the sale or purchase of medicinal products without selling or purchasing those products themselves, and without owning and physically handling the medicinal products.

Falsified active substances and active substances that do not comply with applicable requirements of Directive 2001/83/EC pose serious risks to public health. Those risks should be addressed by strengthening the verification requirements applicable to the manufacturer of the medicinal product.

There is a range of different good manufacturing practices that are suitable for being applied to the manufacturing of excipients. In order to provide for a high level of protection

of public health, the manufacturer of the medicinal product should assess the suitability of excipients on the basis of appropriate good manufacturing practices for excipients. In order to facilitate enforcement of and control of compliance with Union rules relating to active substances, the manufacturers, importers or distributors of those substances should notify the competent authorities concerned of their activities.

Medicinal products may be introduced into the Union while not being intended to be imported, i.e. not intended to be released for free circulation. If those medicinal products are falsified they present a risk to public health within the Union. In addition, those falsified medicinal products may reach patients in third countries. Member States should take measures to prevent these falsified medicinal products, if introduced into the Union, from entering into circulation. When adopting provisions supplementing this obligation on Member States to take those measures, the Commission should take account of the administrative resources available and the practical implications, as well as the need to maintain swift trade flows for legitimate medicinal products. Those provisions should be without prejudice to customs legislation, to the distribution of competences between the Union and the Member States and to the distribution of responsibilities within Member States.

Safety features for medicinal products should be harmonised within the Union in order to take account of new risk profiles, while ensuring the functioning of the internal market for medicinal products. Those safety features should allow verification of the authenticity and identification of individual packs, and provide evidence of tampering.

¹ <http://www.who.int/impact/en/>

The scope of these safety features should take due account of the particularities of certain medicinal products or categories of medicinal products, such as generic medicinal products. Medicinal products subject to prescription should as a general rule bear the safety features. However, in view of the risk of falsification and the risk arising from falsification of medicinal products or categories of medicinal products there should be the possibility to exclude certain medicinal products or categories of medicinal products subject to prescription from the requirement to bear the safety features by way of a delegated act, following a risk assessment. Safety features should not be introduced for medicinal products or categories of medicinal products not subject to prescription unless, by way of exception, an assessment shows the risk of falsification, which leads to serious consequences. Those medicinal products should accordingly be listed in a delegated act.

The risk assessments should consider aspects such as the price of the medicinal product; previous cases of falsified medicinal products being reported in the Union and in third countries; the implications of a falsification for public health, taking into account the specific characteristics of the products concerned; and the severity of the conditions intended to be treated. The safety features should allow the verification of each supplied pack of the medicinal products, regardless of how they are supplied including through sale at a distance. The unique identifier as well as the corresponding repositories system should apply without prejudice to Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and

on the free movement of such data (1) and should retain clear and effective safeguards whenever personal data is processed. The repositories system containing information on safety features might include commercially sensitive information. This information must be appropriately protected. When introducing the obligatory safety features, due account should be taken of the particular characteristics of the supply chains in Member States.²

Any actor in the supply chain who packages medicinal products has to be a holder of a manufacturing authorisation. In order for the safety features to be effective, a manufacturing authorisation holder who is not himself the original manufacturer of the medicinal product should only be permitted to remove, replace or cover those safety features under strict conditions. In particular, the safety features should be replaced in the case of repackaging by equivalent safety features. To this end, the meaning of the term 'equivalent' should be clearly specified. Those strict conditions should provide adequate safeguards against falsified medicinal products entering the supply chain, in order to protect patients as well as the interests of marketing authorisation holders and manufacturers.

Manufacturing authorisation holders who repackage medicinal products should be liable for damages in the cases and under the conditions set out in Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (2).

In order to increase reliability in the supply chain, wholesale distributors should

² OJ L 210, 7.8.1985, p. 29.

verify that their supplying wholesale distributors are holders of a wholesale distribution authorisation. The provisions applicable to the export of medicinal products from the Union and those applicable to the introduction of medicinal products into the Union with the sole purpose of exporting them need to be clarified. Under Directive 2001/83/EC a person exporting medicinal products is a wholesale distributor. The provisions applicable to wholesale distributors as well as good distribution practices should apply to all those activities whenever they are performed on Union territory, including in areas such as free trade zones or free warehouses.

In order to ensure transparency, a list of wholesale distributors for whom it has been established that they comply with applicable Union legislation by means of an inspection by a competent authority of a Member State, should be published in a database that should be established at Union level. The provisions on inspections and controls of all actors involved in the manufacturing and supply of medicinal products and their ingredients should be clarified and specific provisions should apply to different types of actors. This should not prevent Member States from performing additional inspections, where considered appropriate.

In order to ensure a similar level of protection of human health throughout the Union, and to avoid distortions in the internal market, the harmonised principles and guidelines for inspections of manufacturers and wholesale distributors of medicinal products as well as of active substances should be strengthened. Such harmonised principles and guidelines should also help to ensure the functioning of existing mutual recognition agreements with third countries

whose application depends on efficient and comparable inspection and enforcement throughout the Union. Manufacturing plants of active substances should be subject not only to inspections carried out on the grounds of suspected non-compliance but also on the basis of a risk-analysis. The manufacture of active substances should be subject to good manufacturing practice regardless of whether those active substances are manufactured in the Union or imported. With regard to the manufacture of active substances in third countries, it should be ensured that the legislative provisions applicable to the manufacturing of active substances intended for export to the Union, as well as inspections of facilities and enforcement of the applicable provisions, provide for a level of protection of public health equivalent to that provided for by Union law.

The illegal sale of medicinal products to the public via the Internet is an important threat to public health as falsified medicinal products may reach the public in this way. It is necessary to address this threat. In doing so, account should be taken of the fact that specific conditions for retail supply of medicinal products to the public have not been harmonised at Union level and, therefore, Member States may impose conditions for supplying medicinal products to the public within the limits of the Treaty on the Functioning of the European Union (TFEU).

When examining the compatibility with Union law of the conditions for the retail supply of medicinal products, the Court of Justice of the European Union ('the Court of Justice') has recognised the very particular nature of medicinal products, whose therapeutic effects distinguish them substantially from other goods. The Court of Justice

has also held that health and life of humans rank foremost among the assets and interests protected by the TFEU and that it is for Member States to determine the level of protection which they wish to afford to public health and the way in which that level has to be achieved. Since that level may vary from one Member State to another, Member States must be allowed discretion³ as regards the conditions for the supply on their territory of medicinal products to the public.

In particular, in the light of the risks to public health and given the power accorded to Member States to determine the level of protection of public health, the case-law of the Court of Justice has recognised that Member States may, in principle, restrict the retail sale of medicinal products to pharmacists alone⁴.

The public should be assisted in identifying websites which are legally offering medicinal products for sale at a distance to the public. A common logo should be established, which is recognisable throughout the Union, while allowing for the identification of the Member State where the person offering medicinal products for sale at a distance is established. The Commission should develop the design for such a logo. Websites offering medicinal products for sale at a distance to the public should be linked to the website of the competent authority concerned. The websites of the competent

authorities of Member States, as well as that of the European Medicines Agency ('the Agency'), should give an explanation of the use of the logo. All those websites should be linked in order to provide comprehensive information to the public. In addition, the Commission should, in cooperation with the Agency and Member States, run awareness campaigns to warn of the risks of purchasing medicinal products from illegal sources via the Internet.

Member States should impose effective penalties for acts involving falsified medicinal products taking into account the threat to public health posed by those products.

The falsification of medicinal products is a global problem, requiring effective and enhanced international coordination and cooperation in order to ensure that anti-falsification strategies are more effective, in particular as regards sale of such products via the Internet. To that end, the Commission and the Member States should cooperate closely and support ongoing work in international fora on this subject, such as the Council of Europe, Europol and the United Nations. In addition, the Commission, working closely with Member States, should cooperate with the competent authorities of third countries with a view to effectively combating the trade in falsified medicinal products at a global level. This Directive is without prejudice to provisions concerning intellectual property rights. It aims specifically to prevent falsified medicinal products from entering the legal supply chain.

The Commission should be empowered to adopt delegated acts in accordance with Article 290 TFEU in order to supplement the provisions of Directive 2001/83/EC, as amended by this Directive, concerning good

³ Judgment of the Court of 19 May 2009 in Joined Cases C-171/07 and C-172/07 *Apothekerkammer des Saarlandes and Others v Saarland* ECR [2009] I-4171, paragraphs 19 and 31

⁴ Judgment of the Court of 19 May 2009 in Joined Cases C-171/07 and C-172/07 *Apothekerkammer des Saarlandes and Others v Saarland* ECR [2009] I-4171, paragraphs 34 and 35.

manufacturing and distribution practices for active substances, concerning detailed rules for medicinal products introduced into the Union without being imported and concerning safety features. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.

In order to ensure uniform conditions for implementation, implementing powers should be conferred on the Commission as regards the adoption of measures for the assessment of the regulatory framework applicable to the manufacturing of active substances exported from third countries to the Union and as regards a common logo that identifies websites which are legally offering medicinal products for sale at a distance to the public. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers⁵. The safety features for medicinal products introduced under this Directive require substantial adaptations to manufacturing processes. In order to enable manufacturers to make those adaptations, the time limits for the application of the provisions on the safety features should be sufficiently long and should be calculated as from the date of publication in the Official Journal of the European Union of the delegated acts setting out detailed rules in relation to those safety features. It should also be taken into account

that some Member States already have a national system in place. Those Member States should be granted an additional transitional period for adapting to the harmonised Union system.

Since the objective of this Directive, namely to safeguard the functioning of the internal market for medicinal products, whilst ensuring a high level of protection of public health against falsified medicinal products, cannot be sufficiently achieved by the Member States, and can, by reason of the scale of the measure, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve that objective. It is important that the competent authorities of the Member States, the Commission and the Agency cooperate to ensure the exchange of information on measures taken to combat the falsification of medicinal products and on the penalties systems that are in place. Currently, such exchange takes place through the Working Group of Enforcement Officers. Member States should ensure that patients' and consumers' organisations are kept informed about enforcement activities to the extent that this is compatible with operational needs. In accordance with point 34 of the Interinstitutional Agreement on better law-making⁶, Member States are encouraged to draw up, for themselves and in the interests of the Union, their own tables illustrating, as far as possible, the correlation between this Directive and the transposition measures, and to make them public.

⁵ OJ L 55, 28.2.2011, p. 13.

⁶ OJ C 321, 31.12.2003, p. 1.

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6. OJ C 321, 31.12.2003

Education In Economics Versus Administrative Sciences. Research On The Graduates' Insertion In The Labor Market In The Context Of The New Economic Changes

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Abstract: *The purpose of the paper is to analyze the graduates' insertion in the labor market in the context of the new economic changes and to reveal the relationship between education and their employability. This paper will focus attention on the role of formal higher education; particularly in Business and Administration graduates. The study will be based on a survey achieved through a qualitative research by the implementation of a questionnaire among a representative segment of graduates.*

It should be noted that this paper focuses on formal education as a mean of human capital accumulation. In the scientific literature there are studies recognized on both specialists and institutions level according to which education is the principal source of economic growth. The role of education consists in transmitting 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.

Moreover, education is important not only for future productive capacity building but also for improving living standards. A better educated person will have more chances to get a better paying job and have more freedom to choose and decide what is best for his state of wealth. That person will also have the financial resources to take care of his health and access superior products and services.

Key words: education, human capital, insertion, labor market

JEL Classification: A2, J24, O15

Introduction

Technology and knowledge are crucial elements of the new economic environment with direct influence on the current and future human resource education. Transition from industrialized economy based to high-tech economy has profoundly changed the paradigm of education with increasing demand for qualified workforce, able to adopt new technologies. Current change determines a continuing professional adjustment and economic role of businesses is essential, similar to the way IBM company spends about 500 million dollars annually for training and education of employees, Intel invests 100 million dollars annually, including employees in Romania, and positive examples are not limited only to IT sector, but covered all industries.

In this new environment, human capital - defined as being the qualifications, skills, abilities, abilities and knowledge held by a person who contributes to a production process by creating value, or being a social or economic value - is a fundamental factor for economic development. These characteristics are acquired by a person through the process of formal education and training (elementary and / or higher education) and then to workplace. The idea is supported by theorists in the field showed that a high level of human capital facilitates the adoption of new technologies (Nelson and Phelps, 1966; Acemoglu, 2003). This concept is valued even in human capital theory claiming that high skilled workers will increase productivity more than the poor in human capital employees. Therefore, it can be stated that investment in human capital leads to increased economic activity through the increase of individual productivity (Lucas

1988). In empirical studies, human capital measurement focused on formal education, defined as a percentage of the population holding a high school diploma or higher degrees. During the development of economic research and the changes in the production and technology it was demonstrated that skills and knowledge embodied in an individual is not limited to formal schooling, but can be obtained on the basis of innate abilities, at the workplace through general or specialized training or by the accumulation of experience, and through formal and informal social networks. However, market globalization of products and services generated at the same time the globalization of the labor market. The process of globalization has led to greater competition in these markets in terms of work as well, it generated a greater need for people with high skills, but also with a superior ability to adapt easily to different cultural environments and learn effectively. Therefore, the need for research on the employability of graduates of the two specializations (economic and administrative) is a necessity to assess the quality and adaptation of curricula to the needs of the labor market which is becoming more competitive and rigorous.

1. Methodology and the objective of the research

The analysis of the research aims to provide complete and relevant information about the insertion of graduates in the labor market and to achieve an objective professional trajectory path followed by those who have completed and graduated the Faculty of Business and Administration.

Also, the research utility translates in the elaboration of an available graduate's

database that could be involved in Faculty's projects. Last but not least, the Faculty's aim through this research is to intensify the positive image among graduates promoting a sincere and constructive dialogue.

The research frame consists of individuals who have earned a bachelor's degree in the Faculty of Business and Administration as follows:

Bachelor Degree Studies:

- 2007 Public Administration (full time courses + part time courses)/2008 Business Administration;
- 2009 Public Administration (full time courses + part time course) and Business Administration;
- 2011 Public Administration (full time courses + part time course) and Business Administration.

Total population surveyed - 1330 respondents, of which 693 students of Public Administration and 637 students of Business Administration.

The survey was applied in the Business and Administration Faculty from the University of Bucharest. The main argument of choosing this economic and administrative specialization is that the University of Bucharest, after the evaluation and ranking of universities conducted in 2011 by the European University Association, and recognized by the national bodies, was ranked 1st place as an institution of advanced research and education. Also, the University of Bucharest has been recognized by the international academic community as a top 200 of the best educational institutions in the world, ranking conducted by QS Quacquarelli Symonds Limited. In 2014, according to one of the most famous global academic education network "QS Quacquarelli Symonds"

University of Bucharest ranked 30 in the ranking, with 68.4 points, and the first among the five Romanian universities present in the rankings. Regarding Faculty of Business and Administration, it is one of the newest and most competitive faculty of the University, being in the last 10 years among faculties in the country in the number of enrolled for the primary examination. Also, faculty's specializations are recognized for qualitative curricula by both the national and international institutions. Business and Administration Faculty is a member of the Network of Institutes and Schools of Public Administration in Central and Eastern Europe and it was awarded by the International Association of Paris Eduniversal Excellent Business School Award - three palms.

The research was conducted through a sociologic investigation based on questionnaire. The implementation of the questionnaire has one main objective and several secondary objectives, as follows:

- The main objective of the research represents the tracking of graduates integration and their positioning in the labor market.
- The secondary objectives consider the following:
 - Determine the socio-demographic profile of graduates and achieve a correlation between their integration into the labor market;
 - Correspondence between existing human capital (relevant experience higher formal education and training) and the existing workplace;
 - Making a comparative analysis between graduates of economics and administrative sciences graduates in terms of the use of human capital and the income registered.

2.The results of the research

Most of the survey respondents have graduated in 2011. Only 17 % said they have completed their university studies in 2008, while 15 % of the subjects took their bachelor's degree in 2007.

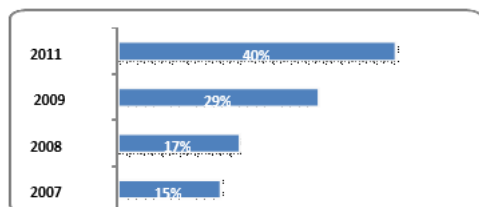


Figure 1. Question: The year when you finished graduated the Faculty of Business and Administration?

Regarding distribution by specialty the graduation specimen is balanced, meaning that respondents who completed the specialization of Public Administration studies represent 48 % of the sample, while graduates with specialization in Business Administration cumulate 52 % of the total population surveyed.

To follow the evolution Faculty of Business and Administration academic graduates, respondents were asked if they have completed a form of postgraduate education. Most of them - 70 % of the total sample gave an affirmative answer.

All 130 respondents (100 %) said they have completed or are currently completing a Master as a form of postgraduate education . Out of this number, 67 choose to enroll at a state university and only 11 % had budgets for private studies.

The study also sought the training outside universities as part of the investment that graduates have invested in human capital accumulation. The results revealed that only 22% of survey respondents completed a training program after college or university.

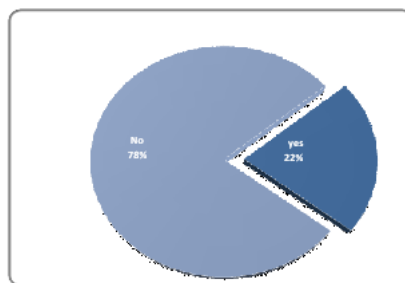


Figure 2. Question: After graduating a higher education (college, university), have you completed any training program?

Of these, 40 respondents indicated the name of the course/ training that they followed after completion of higher education institutional studies. Their responses were analyzed using perceptual maps that are found below. Size of words is given by the frequency of words in study subjects maintained. The most common courses that the respondents have followed after graduating are: Human Resources, Management, Communication, Marketing etc.



Figure 3. Question:

In terms of income, on average, graduates of Faculty of Business and Administration gain in the first month of employment after graduation - 1.854 RON. Compared with the overall results, Business Administration graduates earn on average per month more than the graduates of Public Administration, which reached a cumulative monthly 1.995 RON per month. Data show significant differences for variables in case of these two

specialties.

More than three-quarters have a permanent job, for an indefinite period, but there were some cases in which the Faculty of Business and Administration graduates said the job they have now is temporary, signing determined period employment contracts.

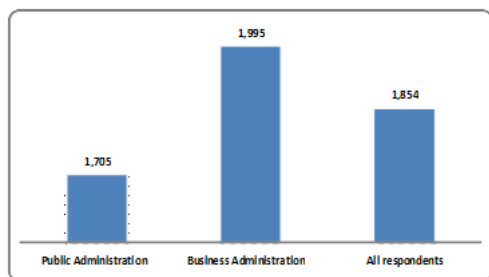


Figure 4. Question: Approximately, what was the salary or net revenue in the first month on the job?

2.1. Establishing a correlation between income and level of education

There are significant differences between those who have chosen to pursue postgraduate courses and instant salary income. Thus, the persons who answered that after graduation of Faculty of Business and Administration have enrolled in a Master program earn an average monthly 2.509 RON, with 51 RON more than those who chose not to continue with postgraduate studies. The latter are situating at an average monthly salary of 2.458 RON.

The difference between the specializations is maintained also in present. The respondents who graduated from Public Administration earn on average less than their colleagues from Business Administration, reaching a monthly salary of 2,232 RON compared to 2,747 RON the salary that earn monthly Business Administration graduates. The differences are statistically significant

if we consider the general sample where an Faculty of Business and Administration graduate earns an average monthly amount of 2.493 RON.

In most activity fields male persons earn on average higher wages than females, which we can observe also in the case of Faculty of Business and Administration graduates, where the graph shows highly significant differences between the two genders. If women reach an average monthly salary of 2.426 RON, men get to be paid up to 2841 RON for their work. The differences reach 415 RON monthly payment that Faculty of Business and Administration male graduates receive more.

In terms of employment from the moment of university graduation and to date, 41% of respondents had one job which shows stability of Faculty of Business and Administration graduates on the labor market. Only 6% of graduates say they had none jobs to date the fact that indicates a very good situation in terms of labor market insertion of graduates at a quantitative level.

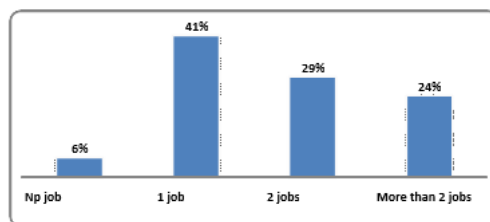


Figure 5. Question: How many jobs did you have since graduating from higher education and to-date?

At the moment of the research, 91% of Faculty of Business and Administration graduates had already a job. Only 4% of respondents said that at the time of the research had declared that their status as an unpaid family worker (no income) while 3% were self-employed. Unfortunately, among responders

there is a rate of only 1% in terms of achieving the development of their own business. This low percentage is particularly worrying for graduates of Business Administration specialization where among specific profile skills obtained is counted also the entrepreneurship skill. One reason for this is the low rates of adverse economic conditions globally and national socio-political uncertainties at the time of graduation and to-date. Another reason could be the lack of specific practical skills that the specialization graduated failed to inspire its students. This usually is a constant criticism for Romanian education in the last 20 years – creation of general and theoretical skills as well as the ignorance of the real needs of the labor market in the absence of effective communication between market entities (representatives of educational institutions and business representatives and even state institutions).

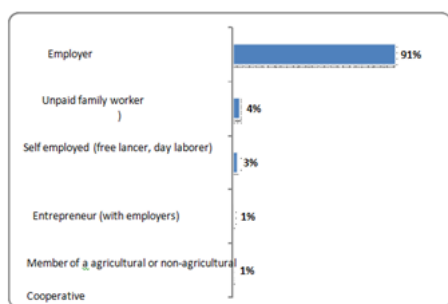


Figure 6. Question: What was / is your status of employment on this job?

After graduating, most of Faculty of Business and Administration graduates have found a place in Sales (17%), Marketing (11%) or Finance (10%). Distribution of responses can be seen in detail in the figure above. The field Other included activities such as Human Resources, Consulting, IT & C, Public Relations etc.

Conclusions

As a conclusion, we can state that the chances that an Faculty of Business and Administration graduate to find a job after graduation and to accommodate the profile of the studies are around 50%. However, compared to the overall sample, there are several significant differences between specializations, such as: business administration graduates have found a job at a much greater extent (69%), job that corresponds to the profession graduated in college, while only 34% of graduates in Public Administration said the same thing. Overall, the insertion degree is high - 91% of Faculty of Business and Administration graduates occupy a job as an employee. Only 4% of respondents declared themselves at the time of the research as unpaid family worker (no income) while 3% were self-employed. The difference between the two specializations in terms of employment rate and income is kept in present as well. The respondents who graduated from Public Administration earn on average less than their colleagues from Business Administration, reaching a monthly accumulation of 2,232 RON compared to 2.747 RON earned monthly. The differences are important compared to the general sample where an Faculty of Business and Administration graduate earns an average monthly amount of 2.493 RON. Also, compared with the average salary recorded in Romania in 2015, which is 2415 RON gross and net 1706 RON, the Faculty of Business and Administration graduates are situated at a higher level.

Unfortunately, there is a weakness identified in research which is that only 1% of graduates have started their own business. This very small percentage, as we mentioned in the paper is especially alarming for graduates of Business Administration specialization where among specific skills obtained is present also the entrepreneurship skill.

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The Human Capital In The Context Of The Reconfiguration Of The Power Poles. Case Study: China And Japan

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Abstract: *In the last decades, once with structural changes in production, organizations, technology and social environment a radical change in the economy has been underlined that substitutes the traditional economy based on industry-led services characterized by innovation and knowledge creation. At the same time, emerging economies have managed to win the battle with the world's major competitors, even overtaking several of them. A representative example is the two countries: China and Japan, that in present are the top three economies in the world.*

The human capital and - particularly the investment in education - determine the ability of individuals to earn as well as his perspectives of employment. Since most of the knowledge and skills are acquired in school, through the educational process, education has been recognized as the decisive part in the accumulation and development of the human capital and therefore in the economic development of a country.

Considering the above arguments, the aim of this paper is to highlight the characteristics of human capital in China and Japan (in terms of investment) and its benefits.

Key words: human capital, education, competitiveness, investment, skills

JEL Classification: J24, O15

Introduction

From the beginning, post-industrial theories were the foundation of human capital development, supporting economic benefits which education delivers to society. The initiators of human capital theory have equated the workers knowledge and their level of formal education – the quantitative indicators related to the estimated schooling level of the economic benefits of learning. According to this theory, a higher education leads to increased productivity and macroeconomic growth (Schultz, 1963, Becker, 1964). The hypothesis was supported by the economic growth of developed countries after the World War II.

The choice of the two countries - China and Japan for case study finds justification in a surprising economic development that these two countries had in the last few decades and in efforts to increase the quality of education, both in terms of access and content in order to improve the knowledge and skills of the population. In a more complex review, the entire Asian continent can be a real case study related to the relationship between economic growth and investment in human capital linked to highlighting examples of good practice and at the same time showing the disparities between nations of Asian continent. Reconfiguring the poles of economic power in recent years and moving the focus from Europe to Asia, while threatening and US economic leadership, represents another strong argument in choosing China and Japan as examples for the case study.

This paper will analyze the situation of the two countries in terms of investment in human capital as a factor of economic growth.

1.The Investment of Human Capital in China (analysis of formal education)

In China, since the beginning of economic reforms, in more than thirty years, the economy grew at an impressive rate; proof being the huge increase in GDP per capita (from “\$ 190 in 1978 to \$ 5,432 in 2011). From 1960 to 1980 China’s average growth rate was 7.2% per year. However, China’s success, as it was the case of other countries in South-East Asia, continued to grow and in the next period the growth target was exceeded (1980-2000), registering an average growth rate of 8.2% per year. In this context, the human capital has played a significant role in the miracle of continued economic growth.

In addition, studies show that investment in human capital in China have also led to a significant effect on productivity growth and on the reduction of regional disparities (eg Fleisher, Li and Zhao, 2009)¹.

Education in China is divided into four cycles, specific to age and educational level.

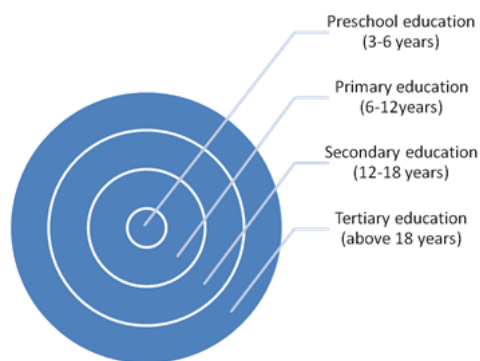


Fig. 1. Educational structure in China

¹ Belton Fleisher, Haizheng Li, Min Qiang Zhao, Human capital, economic growth, and regional inequality in China, *Journal of Development Economics*, Volume 92, Issue 2, July 2010, Pages 215–231

The first stage is the preschool education - correspondent to kindergarten (age 3-6 years). The second level includes primary school (age 6-12 years), followed by secondary education (age 12-18 years) and tertiary education (from the age of 18). Secondary education includes specialized high schools, vocational and technical education schools. Tertiary structure is the university which includes colleges and universities, as well as postgraduate education which includes master and doctoral studies.

Chinese government recognized the importance of investment in human capital, including, in addition to the need for increased investment in education, a strong need to improve the investment in health and early childhood development designed to enhance the standard of living, especially in rural areas. The policy stimulating the population to follow a form of education was a requirement after the war in the early 50. During that period, China recorded an extremely high rate of illiteracy. Although there have been concerns about the increasing level of education among the population, concrete actions were recorded for more than three decades. The actions initiated since the 80s, illiterate population was halved from 402 million in 1982 to 201 million in 2000, this rate managed to remain stable in the following years. The year 1986 is a reference year for China's education as mandatory schooling was introduced. The mandatory education consisted of nine years (six years in primary school and three years of secondary education). The results of this reform were significant especially in urban areas where there were significantly more financial resources than in rural areas. Rural areas, characterized by poverty and isolation, experienced high rates of abandonment (e.g.

only two thirds of the students managed to complete the entire primary education cycle). At the level of secondary education, we can notice the same characteristics, high rate of enrollment in education, but with a low rate of graduation, especially noted in female segment, whose families live in poor regions without financial means to support costs associated with education or because of cultural constraints. At the same time, higher education has suffered so hard because of poverty, and the so-called "cultural revolution" - a period of time when the universities were closed. Concrete concerns and actions taken to catch up with other Asian countries and boost the enrollment rate in higher education was first registered in 1976. An even higher interest came less than two decades later, in 1998 and belongs to Jiang Zemin, General Secretary of the Communist Party of the People's Republic of China. He intuited the potential of the well-trained human resources and demanded a substantial increase in enrollment in higher education. The results of this requirement and its implementation were significant. According to researcher Robert Fogel, the next four years, „enrollment in higher education increased by 165% (from 3.4 million to 9.0 million)"². At the same time, according to the China Statistical Yearbook 2003, the rate of students studying abroad increased by 152%. In 2005, China recorded about 20 million students enrolled in higher education, surpassing even the United States.

Although there are significant successes in education, China's situation is still marked by both high rates of inequality in

² Robert Fogel, Why China is Likely to Achieve its Growth Objectives, NBER Working Paper No. 12122, Issued in March 2006, <http://www.nber.org/papers/w12122>, accessed March 2013

the education and a growing need for well-trained workforce to help promote sustainable economic growth.

This state is maintained by a very small percentage allocation for public spending on education and promotion, especially in the tertiary system, of private expense in human capital, particularly supported by the family. The policy of passing the responsibility of tertiary educations expenses to family expenses is generating huge inequalities and the persistence of poverty across generations. Therefore, the Chinese government should create a package of measures including increasing the percentage of GDP allocated to education, finding credit packages for the education of young people from poor families, the development of the school network in less advantaged environments at social and regional level. In addition to these urgent and necessary steps to continue and pursue reforms and sustained economic growth it is needed, as stated by the American economist - Nobel laureate for economics - James J. Heckman, an educational market liberalization in China, encouraging competition in this system.

Thus, J. Heckman notes "Increased public spending is not the only way to improve the quality of education. A lesson learned from educational institutions in the United States, Europe and other countries around the world is increasing the value of education through competition and incentives offered in schools"³. Therefore, an education system subject to a direct competition between

³ James Heckman (2000), op. cit. Heckman, James J.; Yi, Junjian (2012) : Human capital, economic growth, and inequality in China, Discussion Paper series, Forschungsinstitut zur Zukunft der Arbeit, No. 6550, <http://nbn-resolving.de/urn:nbn:de:101:1 201301189228>

public and private institutions, even between national and international institutions will be forced to invest in providing high quality knowledge to remain competitive. Currently, this solution is not a priority for the authorities in China, although benefits seem to recommend it.

2.The Investment of Human Capital in Japan (analysis of formal education)

Japan's remarkable economic results represented the bridge to the basis for important economic theories and complex analysis on the factors that influenced the economic development of this state. Numerous studies have indicated that although Japan is a country with limited natural resources, it focused its development strategy on knowledge, innovation and human capital development.

Moreover, in the scientific literature, the twentieth century is characterized as the "century of human capital."⁴ According to Claudia Goldin, the need for human capital formation was accelerated by the United States as a result of a high demand for educated labor force. This need was a consequence of technological and organizational change which occurred once with increase in number of large enterprises and once the new scientific knowledge was applied to existing industries. Japan began modern economic growth in the nineteenth century and in the early twentieth century there was already a significant number of large organizations comparable to USA companies. This rise requires trained, adapted labor force in terms of knowledge in creating new tasks specific

⁴ Claudia Goldin, The Human-Capital Century and American Leadership: Virtues of the Past, The Journal of Economic History 61 (June 2001), p. 263-92

to the new economic realities. To achieve this goal education system was continuously changed without a significant comparison between the educational system in Japan before and after the Second World War. The education system in Japan before the end of the Second World War was segmented into primary, secondary and tertiary. According to studies conducted on Japanese education system, „leading institution for primary education was primary school and secondary education schools containing medium schools for girls, vocational schools (vocational) and normal schools”⁵. Higher education in Japan had been divided into high schools, universities, colleges and superior normal schools.

After the Second World War the structure of the education system has changed and become simpler. According to Miyazawa Kensuke, the Education Act of 1947 was the time of the reorganization of the formula 6-3-3-4 system. Therefore, the general education included: (1) six years of primary school (Shogakko), (2) three years of secondary school (Chugakko), (3) three years of secondary superior school (Kotogakko) and (4) a university system of four years (Daigaku). To step through the whole process it was required the completion of the previous cycle. The educational system requires compulsory primary and secondary education.

In present, although Japan has one of the highest levels of education, the concerns for maintaining a system of advanced education are directed towards adaptation and innovation according to economic and social changes. Current policies are moving

towards the creation of specific skills of the labor market needs so that the disadvantaged generations (youth and women) can be a viable human resource.

As proof that education receives a special attention there are reforms initiated and expenses are made for its development. Public education in Japan is funded primarily by public system and private funds are invested for tertiary education. According to the reports made by the OECD⁶, in 2010 the annual expenditure on education services in primary education was 8 353 USD per student, secondary education was 9 957 USD per student, and at the tertiary level average expenditures are 16 015 USD. Compared to the average the educational expenditures are growing in Japan even under the auspices of the financial crisis. In other OECD countries, spending on primary education is 7974 USD per student, for secondary education – 9014 USD and for tertiary education is 13528 USD. Although primary and secondary education is supported by the public budget studies indicate that there is a significant increase education achieved in private institutions. The families’ preference to support the education of children from private sources is justified by the higher scores these young people obtain at testings, leading to an increase in quality of human capital. Meanwhile, the propensity of families to ensure the best education for their children is explained on the one hand by Japan’s recorded positive economic experience with investment in the education of its citizens, and on the other hand due to the increase of financial opportunities of families with fewer children. In the study

⁵ Miyazawa Kensuke, *Measuring Human Capital in Japan*, RIETI Discussion Paper Series 11-E-037, The Research Institute of Economy, Trade and Industry (2011), p. 5

⁶ Raport OECD, *Education at a Glance 2013*, Country Note: Japan, p. 1 http://www.oecd.org/edu/Japan_EAG2013%20Country%20Note.pdf

conducted by Naohiro Yashiro "in Japan, the average number of children per family fell from 4.27 in 1940 to 1.96 in 2010, and college enrollment ratio has steadily increased from 2% to 45% for women and from 13% to 56% between 1955 and 2010 for men."⁷ Therefore, there is an inverse relationship between birth rate and investment in human capital by Japanese families. Increasing financial possibilities of families, along with a double meaning given to higher education have increased the attractiveness of attending this level of studies. First, the faculty is an important tool for acquiring knowledge and skills certified guaranteed by the higher education institution, and secondly it is a tool to verify and validate the potential ability of an individual. Many large companies adopt the strategy to identify potential employees among students enrolled in an academic program. To find potential employees, companies identify the most appropriate students within the faculty, and then invest in developing their skills by organizing training sessions, using as well and / or a job rotation method occupied by an individual within the company. Moreover, in Japan the development of human capital in the organization is a strategy often used, and wages are directly proportional to the number of years of experience and seniority the individual has in the organization. Japanese culture of a long-term employment is not a new strategy and its benefits can be easily identified in Japanese organizations. Therefore, human capital development is stimulated by working on jobs that confer long-term safety and drives its employees to focus on devel-

⁷ Naohiro Yashiro, Human capital in Japan's Demographic Transitions: implications for other Asian countries, p. 5, <http://www.eaber.org/sites/default/files/paftad/chp%204%20Yashiro%20final.pdf>

oping superior skills acquired through rotation of several jobs within the organization. Also, remuneration which is based on a longer stay in the same organization establishes higher opportunity costs for employees who leave the company. However, there are obstacles in the optimal use of human capital. One of these obstacles is to major differences between the benefits workers who have permanent contract have and those employed who are employed for a determined period. For example, the main differences lie in lower wage levels, lack or reduction of benefits that permanent employees have (health policy, education/ training opportunities etc.). Another problem in using partial human capital represents the female segment that leaves the labor market to raise the child. Number of mothers who choose postnatal leave is quite high compared to the average in OECD member states and by their return of this period most of them opt for a reduced work schedule. This temporary or partial loss of an important human resources is influenced both by cultural factors (in conservative families, the woman is the one who has to stay home and raise children) and socio-political factors as the inadequacy of policies that promote reintegration mother at work, subsidizing kindergarten and promotion of improved facilities offered by kindergartens.

Another threat to human capital is its growing number of employees of other nationalities, graduates of Japanese educational institutions. Current foreign graduate employment is a normal consequence of the globalization process and it is supported by Japanese policy regarding internationalization of education, especially for higher education. Internationalization of education is a process that started in the 80s and it was

linked to a number of actions in order to achieve a highly competitive global education market. The first action was initiated in 1983 when it was planned to attract 100,000 international students by 2000. About two decades later, in 2002, scientists have proposed and planned development of global centers of excellence programs to stimulate the collaboration of international research. Then in 2008, he returned to the targets and to set a target of attracting 300,000 foreign students by 2020 out of an equal number of Japanese students to study abroad. More recently, in 2011, compulsory English courses were introduced from fifth and sixth grade pupils of primary school. In higher education segment there were offered 7000 scholarships for Japanese students studying abroad to allow the study of a three to twelve months.

Conclusions

In terms of education in Popular Republic of China, studies show that investment in human capital influence the productivity growth and have benefits on reducing regional inequalities prevalent in China. An important step in the development of investment in education was made at the time of recognition by the Chinese government in 1986 the need for increased investment in education and health. These two areas are key factors in early childhood development and aim to raise the standard of living, especially in rural areas, reducing inequalities. However, rural areas characterized by poverty and isolation are experiencing high rates of abandonment. At the level of secondary education it is retained the same characteristic, high rate of enrollment in education, however with a low rate of graduation, especially in women's case. Causes of high dropout are either the difficulty to find financial resources to sustain education or the socio-cultural conservatism impedance the enrollment,

especially of girls, in schools.

Although there is a significant success in education, the education system in China should be subject to review and should be actively intervening in vulnerable areas to reduce inequalities. Also, it must allocate a higher percentage of public expenditure on education. Existing policies appear to be partially ineffective because passing responsibility family expenses is generating enormous inequalities and the persistence of poverty across generations. At the same time, we need well-trained workforce to help promote sustainable economic growth. Therefore, an education system characterized by competition between public and private institutions, even among national and international institutions is a necessity for improving the quality and competitiveness.

In terms of education in Japan, it is situated on a higher level than in China. Moreover, the literature devotes important studies which demonstrate that investment in human capital are the base of the economic growth of this nation quite poor in natural resources, but with amazing potential in terms of human resources. The proof that education is a key factor is based on the reforms initiated and expenses made for the development. Public education in Japan is funded primarily by public system and private funds are invested for tertiary education. The families' preference to support the education of children from private sources is justified by the higher scores these young people obtain at testings, leading to an increase in quality of human capital. At the same time, the development of human capital is a consequence of a functioning labor market. Employment for a long period is safe and stimulates employees to improve their knowledge, skills and competences both through training and through experience gained by rotation of several jobs within the organization.

Nevertheless, there have been identified obstacles in the effective use of human capital. One of these obstacles consists of large differences between the benefits the employees with a permanent contract have and those who are employed on a determined period of time. Another problem in using partial human capital represents the female segment that leaves the labor market to raise the child. This temporary or partial loss of an important human resources is influenced both by cultural factors (in conservative families, the woman is the one who has to stay home and raise children) and socio-political factors as the inadequacy of policies that promote re-integration mother at work, subsidizing

kindergarten and promotion of improved facilities offered by kindergartens.

Increasing the number of employees of other nationalities, graduates of Japanese education is another threat for optimal use of the human capital for the Japanese nation.

In conclusion, although there were identified a number of limitations of human capital formation and utilization in the two countries analyzed, significant economic progress and development that was made in the two countries are key factors used as positive examples in the relationship between human capital and economic growth, especially in the case of Japan.

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Leadership and Strategies in the 21st Century

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Abstract: The article defines and describes what are Strategy and leadership. It further explains that since the World configuration is uncertain and it changes even during these days, a new socio-economic strategy is required. The failure of both the traditional ideologies, Socialism and Capitalism, to provide a satisfactory prognosis induces, the Author to offer his **Social-capitalism concept**. The given prognosis combines the positive features of each of the two older views and offers a **strategy** working on a balanced and comprehensive mode of operation. Competent and proficient **leadership** are required from those who will be dedicated to establish, install and administer this strategy. Leaders are required to set an Example and should wish to become Role Models. Since they are very crucial and essential for moving people leaders should permanently improve and expand their personal communicating talent and their ability to inspire other people.

Key words: strategy, comprehensive & integrative approach, balanced & complementary concept, inspiring & competent leadership

1. Introduction

At the 21st Century's second decade the World still is shaking, much is uncertain and international power circles change frequently. Unfortunately, one must admit that the World at present, adopts and is led more in accordance with Huntington's (1996) "The Clash of Civilizations" than with Fukuyama's (1992) optimistic view of the "end of history." Many of the hopes reflected at the beginning of the new Millennium have faded away and new dangers and threats, especially fundamental Moslem terror, intimidate many nations. The fact that the economic downfall continues, in different rate in many EU countries adds additional hardship to the general confusion. In fact both the Capitalist system and the Socialists derivatives are failing to provide promising solutions for the very complicated situation. Since the following article was required to refer to Strategy and Leadership the Author uses these two topics for presenting his Social-capitalism concept, which is a leading candidate for providing a working solution for some maladies of the World.

The article first defines Strategy and Leadership, further discusses the current complex situation and later presents the main ideas of the Social Strategy. Finally it explains and clears the meaning of leadership in this context.

2. Defining the Issue

In order to share a common language and construct an agreeable platform for the discussion, it is preferred to define first the two main terms.

2.1 Leadership

Leadership: "Management, Control, Guidance, Headship, Direction and The

computer's dictionary offers the following words for describing **Governance**." It provides synonym words but it does not explain whether it is science or an art, a thought or an action. The Webster Dictionary describes it as a "The quality displayed by a leader" who "leads a body of moving troops" or people and can "holds the first place"(pp. 562). The American Air Officer's Guide (1957) claims that "**Leadership is essential for success**" and in the core of leadership are three fundamentals: **1. Character; 2. Knowledge; and 3. Power of decision**, pp 342-343). Others prefer to assess leadership by a much broader perspective. They argues that: "The measure of leadership is not the quality of the head, but **the tone of the body**", additionally, "**Leaders should leave behind them assets and a legacy**". And the demands from leaders further grow as "**Leaders are obliged to provide and maintain momentum**"(De Pree1989, pp 11-22). Another viewpoint argues that, Leaders should be "**responsible for their feelings and actions**" (Hyland & Yost, 1994, pp 36-37). However it seems that Colin Powell have the highest demands when he summed up the mission of leadership by expecting them to do well and accomplishing successfully all the unknown, unpredicted or even unexpected duties and developments. "**Leadership is the art of accomplishing more than the science or management says is possible**" (Powell 1996, pp. 255).

As one can see, all the above definitions were produced and delivered in the former Century and followed mainly the teaching of the Modernism Paradigm, relevant to those days.

The question asked today is, whether the former definitions fit to the new postmodern social and economic environment? The

author claims that due to the rapid disperse of democratic movements and the significant augmentation of the Media, **leadership in the 21st Century is much more complicated and difficult than in the past.** Since more people, over the globe, feel themselves free and enable to exercises their liberty, it is more difficult to convince them to adopt a certain point of view. Most of the older methods of coercion are not relevant any more. People from all walks of life are looking for ideas, challenges, sometimes even visions to catch their imagination.

2.2 Strategy

The Twentieth Century was the period when strategy and its derivatives reached their top. It was an era that promoted strategies, which emerged from rational thinking and endorsed logical decision making. Although that century witnessed two dreadful World Wars besides other regional and logical conflicts most of the struggles were justified and supported by rational thinking and ideological beliefs.

The theoretical approach, which supports the decision making process was in essence quite simple. It runs as follow: defining goals, collecting data, analyzing information, indicating on the relevant options, considering the alternatives and selecting the most appropriate method of execution. Throughout all this process it was assumed that the decision makers have all the required information and they are familiar with all the surrounding factors. The hidden assumption supporting Modern strategies was that decisions are made within a rational environment where most of the variables are known and their impact is simple and clear. Causality, its

effect, direction and strength was also identified and considered.

For good or for bad, **decision making processes and strategy creating, in the 21st Century, totally differs from the previous practices of the 20th Century.** The **cornerstone, or the leading assumption of the present time is that human society and economic relationships are run within a changing and uncertain environment.** As mentioned in the previous section, increasing democratic influence, unprecedented communication outburst and growing sense of freedom make the art of building a strategy almost an impossible mission. It is almost clear that former rational considerations or logical approaches that were so essential in the former years, do not suffice for offering a sound strategy today. The case of Greek and its relationships with the EU is just one sample, which demonstrates the complexity.

3. The Current Situation

There is no need to discuss too long the current situation since many agree that great parts of the world still suffer from unsatisfactory living conditions.

Most of the East European countries still limp behind West Europe and even the Russian giant seriously suffers from a drastic deterioration of its economic status.

3.1 The Failure of the Social-Communist Concept

The collapse of the Soviet Bloc, at the 20th Century's last decade, clearly indicates the incompetence of the Socio-communist ideology to offer a satisfactory way of life for all its followers. Beside the burden of suppressing human rights and minimizing

democratic governance the former Socio-communist regime point out on the weakness of bureaucratic regime to run efficiently the economy. An administration that tries by the power of its clerks and the force of its officer to impose and coerce production of goods and division of merchandize, has little chances for success. **Liberated people would always urge to be free in their economic choices. Once Democracy is installed, Central Controlled Economic system is going to lose ground and influence.** The pertinent question in this regard, is therefore, **what is the appropriate Strategy that could offer the best track for achieving success, prosperity and happiness?**

3.2 The Failure of the Brutal Capitalism

The discourse between Socialism and Capitalism continues for more then 200 years. Although both Ideologies experienced periods of prosperity and decline, they have preferred to stick to their original perception. General speaking during the last 30 years Capitalism conquered and took the lead. However, because of too high self-esteem and uncontrolled ego-trip (see **Marcum & Smith [2010]**) of many capitalists recent Capitalism resulted with a vulgar and brutal behavior. The old classical and traditional mode of **humanistic Capitalism** was replaced by the brutal one. The rat-race for profits and a disgraceful urge for astronomical revenues carved the character of recent Capitalism.

The New York Stock Exchange traders in 2008 were overwhelmed by the greedy desire of maximizing profits that they behavior was strongly resembled to California's Gold Rush in the past. **Lewis Michael (2010)**, in

his enlightening book **"The Big Short"** well describes the frightening behavior of those greedy trades. Another, a well written book by **Chang Ha-Joon (2010)** provides some additional information about the sophisticated practices used by those traders. The greedy methods that caused the collapsing of the financial markets and the insufficient governmental measures administrated in US and in Europe induce the justification for reexamining the basic principles of the classical capitalist teaching.

Devoted capitalists and opponents of socialism tried, during the last decade, to change and reform it so that it main driving motive –the making money desire – will be hidden and concealed. In a way it reminds what **N. Taleb (2010)** termed as using **"The Bed of Procrustes."** They intentionally concentrate on changing the expressions of their profit rather than finding ways for increasing people's benefits. By so doing they missed the point. They did not realized that Capitalism that wishes to better its image should care more about people's wellbeing and not only about increasing its capital revenues.

3.3 The Confusion of the Last Years

The situation became more complex during last years. At one hand, US economy advanced slowly from its 2008 downfall due to smart government and Central Bank actions. At the same time Europe hardly struggles with the dangers of insolvency and bankruptcy of some of its main nations. The present political-economic conditions both in America and in Europe created an environment never experienced before. Financial world with a very low interest rate (0.0 -2.0) creates new conditions that required new

thinking and fresh approaches. A very low economic growth, of 0.0 -2.0% GMP per capita, in many of the Western countries is an unusual phenomenon economists and politicians should learn to deal with. In addition to the practical facts of complex and sluggish development of the West, theories are disappearing and the academic world is confused.

This situation encourages the Author to join some writers who seek a better and a more appropriate reform for establishing a reshaped socio-economic order. Thus, the author analyzes some key elements of both Socialism and Capitalism approached with the intention to find a novel arrangement fitting better to nowadays time. Such an analysis could assist in understanding better the differences between the two philosophies and finding some elements for creating a better synergy between them. Such a discussion is necessary since major parts of these two leading ideologies could be used for constructing the new strategy. Additionally, these elements could be used as building blocks for constructing the new theory – the Social-capitalist prospectus.

For providing a wider outlook and a more comprehensive view on the whole issue and for updating and deepening the understanding of recent developments, some prominent figures in global economy were interviewed by February 2015, while participating in an international conference in Israel.

The general atmosphere along the interviews was not optimistic. All the interviewers emphasized the complexity of today situation. **Suzan Berger** of MIT, claims that with reference to US, **maintaining substantial manufacturing and actual production capacity at home, is essential for encouraging**

and enabling an atmosphere of Innovation and creativity. The actual meaning of this recommendation is that globalization is not the remedy for all social and economic maladies. **Didier borowski**, an investment strategist, argues that **we live today in an uncertain territory with very low growth expectations and unpredictable investment prospects.** The conclusion here is in fact simple, minimize risks and be aware of hazardous investments. **Branko Milanovic**, an economist and a development specialist, **perceives the collapsing of two major modern pillars, the political and the economic ones, a disorder or chaos that could result with a Third World War or another monumental very long religious conflict.** This perspective supports some of the arguments detailed by of the famous book “The Conflict between the Civilizations” and the fast spreading of terrorist activities all around the world. **Andrew Michael Spence**, A Nobel Prize laureate, claims that **weak and reserved consumption levels force will force governments to promote public investments and expanding financing of infrastructures.** This advice coincides with the Author’s ideas of combining public and private resources for the benefits of both sectors. **Felix Zulauf**, An investment Guru, assess that his perceptions differ from the mainstream’s expectations. His global analysis encompasses **a complex world containing older populations, currency wars, weak Central Banks and confused governments.** History teaches that investing public moneys should be carried out by very cautious and responsible people. It is encouraging to see that some of the new Gurus have adopted such a view and supposed to be more accountable than the NYSE traders in the 2000s

4. The Social-capitalism Concept-A promising Strategy

The complexity of present time and the hesitancy of contemporary scholars to point on a preferred direction enforces the author to offer his proposal for further development. Thus, the **Social-capitalism strategy** is presented below as a leading political-economic strategy for the 21st Century. **Leadership** will later be discussed with the implementation topic.

4.1 Social-capitalism – a Tool for Settling today's Complexities

As the title hints the strategy's name is drawn from the name of the older two ideologies. The Author believes that both Socialism and Capitalism have some positive points and putting them together may yield a better product. **The Social-Capitalism concept** is based on the principle of **equal but different**. **It is given that all people are born as human beings, disregarding their race, color, gender and religion. As human individuals they have Equal Personal and Social Rights and but also important Obligations. These living entities differ in their Physiology and asychology, vary in their mind-set, diversify in their talent and competence and differ in their needs, desires and inspirations.**

The Social-Capitalism perception recognizes, legitimizes and adopts the new reality of **human Versatility, Diversity, Pluralism and Heterogeneity**. This approach replaces the previous modern perception, which believed and struggled for formal equality. The heterogeneous approach believes in a society that contains similar people and is comprised of individuals of different origin, and a variety of ethnic groups, races and colors. The

Social-capitalism paradigm claims that in the heart of the 21st Century Post-modern society lays the idea that **every individual, a group, a community or a nation should be given the chance for expressing themselves and demonstrating their specific features and wishes.**

It is argued also that the **Normal Distribution Methodology** (known also as the Bell Shaped Distribution Curve) is the most appropriate technique for studying human behavior, needs and desires. This method enables also to better assess, compare and analyzing different social environments.

The Social-capitalism approach rests on a sets of personal understandings. It perceives the individual being intertwined within a set of mutual responsibilities, to himself, to his colleagues, to his community and to his country. It assumes that people should be aware of what they are entitled to receive versus what they are asked to give. Remember JF Kennedy note: **"Don't ask only what I will receive but rather what I am going to give to my country"**. At the Social-capitalist regime **Human Rights should always be kept but should also be balanced by demands to fulfil personal commitments**. Years of struggle for emancipation and fighting for getting civil rights caused individuals, communities and nations to focus on achieving rights and benefits. Democracy and Freedom were frequently interpreted wrongly, while neglecting communities' needs. The proposed strategy wish to maintain **among its members a balanced regime between rights and commitments**.

The former capitalist paradigm assigned too much importance to personal freedom and private initiative. This tendency frequently resulted with negligence of

communities' undertakings and reduced social commitment.

Socialism, on the other hand, provides too much power and exaggerated importance to bureaucrats and administrators. The Social-capitalist idea urges to maintain a practical **equilibrium between both personal and social undertakings. Creative individuals need a warm supporting community for accomplishing their mission and healthy societies need to have creative innovative individuals for pulling them forward.**

4.2 Social-capitalism - a Modest but Plain Integrative Strategy

In contrast to the older two ideologies Social-capitalism adopts a moderate and encompassing mode of operation. As a designated policy it tries to find common ground and mutual benefits in most of its operations. Greediness at one hand and exploitation on the other, are rejected because they cause damage to all participating parties. The Social-capitalist strategy clearly knows that every discourse has at least two parties and one cannot get the true picture without understanding both sides. However, the proponents of the strategy are familiar with the fact that in essence there is almost no case for having only one absolute thru. As a people-oriented strategy, Social-capitalism is aware of the differences between civilizations and nations. Thus, policies that function well in one place must be changed to fit other places.

4.3 Social-capitalism Combines Alternatives Icons & Symbols

This is another feature that characterizes the Social-capitalist movement. It rejects

"the tyranny of the term 'or'," and promotes the wisdom of integrating contradicting modes. In the uncertain and changing conditions of today, there is no given known solution and many ways may lead toward the desired destination.

The above approach well reflects the Author's deep faith in private creativity, execution by team work and collaborative cooperation. Usually most important and meaningful initiatives, begins by devoted individuals but further they require social support for proceeding and flourishing. In Science, and Technology, like in Arts and Busyness, healthy and prosperous societies rest on fruitful cooperation and permanent honest feedback created between individuals and the general public.

The former capitalist personal values were analyzed by the Social-capitalist paradigm and new fresh meanings was given to the following ones:

1. Solitary and Togetherness.

2, Competition and Cooperation.

Additionally, Citizens - Governments relationships are also quite complicated and demand substantial change. Consequently the following topics were reformed for suiting the Social-capitalist strategy:

3. Government's Involvement in the Economy

4. Public – Private Partnership (PPP)

5. Free Market" and Administrative Regulation

6. Local and Global Considerations

7. People-Oriented Banking System

8. Fair Capital–Labor Equilibrium.

It is beyond the scope of this paper to provide a wider, longer and more comprehensive analysis of the proposed Social-capitalist Strategy. Such a study will be

executed in another designated manuscript. At this point, as promised, we turn to conclude the presentation with some words about **Leadership**.

5. Proficient and Competent Leadership

Common wisdom tells that 'the pudding's taste is determined by its eaters' rather than by its cooks. Frequently cooks tend to negate such a declaration because they claim that only cooks are professionally equipped for making such a decision. However, business and behavioral studies firmly teach that customers and consumers are those who usually make the final decision. Similarly, the meaning of ideas, values and theories are frequently determined by their impact on the real world. Human life rests and directed in many cases by practical matters and implementation considerations.

Another significant distinction that characterizes leadership is its strong link and associating with people. Whereas managing, directing or arranging refer to things or events, **Leadership deals with human beings**. Although it is connected, motivated and inspired by people, **it mainly stimulates and moves them forward**.

Moshes, one of the greatest leaders of the past, was chosen by God, after he saw Moshes cautiously nurturing a newborn lamb. God supported his choosing by arguing that "The one who is so sensitive for taking care of a young lamb, could be an excellent shepherd and would be a great leader of my people."

Thus, implementing the Social-capitalist program is also a significant undertaking that requires the use of concentrated

effort of proficient and competent sense of leadership. A rule of thumb shows that it is not enough to be smart and to have great ideas, what is needed more, is **a leading ability and skill of convincing fellow people to adopt the idea and to act accordingly**.

Leaders must be optimistic. One cannot lead others to attain appealing goals without strongly believing in the feasibility of such an undertaking. **Matt Ridley** (2010) in his book "**The Rational Optimist**" well indicate how along modern history pessimists always missed the point and fail to foresee the future. The author, as a born rational optimist, also believes that within 10-15 years the above Social-capitalist program will lead the world, and will establish a renewed dynamic Labor-Capital equilibrium for the best interest of all parties.

Leaders must "Set an Example" and should strive to be a "**Role Model**". Since leadership means having an ability to motivate and inspiring human beings, leaders must permanently cultivate and substantially improve their ability. Unfortunately, as much as the world becomes more confused and irritated so is it harder to lead people. When economic conditions grow harder and poverty expands, more and more citizens become insecure and lose their confidence in their leaders and Government.

Western Democracies face at present many political challenges. As mentioned, both economic recession and terror threats currently intimidate people and nations. Only nations that will embrace a worthy leadership would be able to resolve positively these perils.

6. Conclusions

The second decade of the 21st Century is a confused period. The World is full with examples of mal-doings, skirmishes, guerillas' conflicts, terrorists' threats, political struggles and economic downfalls. A pessimistic viewer would easily describes the situation as "the clash of civilizations." Since the Author rejects such a pessimistic outlook he proposes hereafter a more optimistic approach – **the Social-capitalist strategy**. The given concept

combines, reshapes and reforms positive ideas from the older two ideologies and proposes a renewed comprehensive mode of operation, which aimed to enable better civilized life. The novel strategy puts the well-being of both the single individual and the surrounding society at the center of its operations. Creative initiative balanced by social responsibility should be the engine of future developments. **Proficient and competent leadership** is required for carrying out and implementing the proposed strategy.

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Suzanne Berger

A Professor of Political Science. Focuses on politics and globalization. She recently co-chaired the MIT Production in the Innovation Economy project. She created the MIT International Science and Technology Initiatives and directs its MIT-France program.

Didier Borowski

Co-Head of Strategy and Economic Research and Investment Management chez Amundi, Paris, France

Branko Milanovic (born 1953) is a Serbian-American economist and a development and inequality specialist. He is since January 2014 visiting presidential professor at City University of New York Graduate Center and an affiliated senior scholar at the Luxembourg Income Study (LIS).

Andrew Michael Spence (born 1943), is an American economist and recipient of the 2001 Nobel Memorial Prize in Economic Sciences, along with George Akerlof and Joseph E. Stiglitz, for their work on the dynamics of information flows and market development.

Felix Zulauf; born 1950, is the owner and president of Zulauf Asset Management,[1] a Zug, Switzerland-based hedge fund, which he founded in 1990.[2] Zulauf Asset Management has \$1.7 billion assets under management, according to MacroAxis.[3] Zulauf has been a regular member of the Barron's Roundtable for more than 20 years.

The Impact of Electronic Commerce on the Development of Nowadays Society: an Economic and a Managerial Perspective – A Case Study on Romania's Experience

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Abstract: The paper entitled “The Impact of Electronic Commerce on the Development of Nowadays Society: an Economic and a Managerial Perspective – A Case Study on Romania's Experience” presents the electronic commerce with its definitions, historical evolution and importance, it's the main forms, the advantages and disadvantages of e-commerce, the electronic commerce versus traditional commerce as well as the electronic commerce in Romania.

In this research we have emphasised the role and the importance of the e-commerce in comparison with the traditional commerce, stressing the fact that it has many advantages that underpin the on-going development and success of this trade: time; the availability of virtual stores: program almost non-stop, every day of the year; the possibility of free decision; the possibility of purchasing products even outside the

borders of the country the buyer; communication, particularly internationally, low cost, the relations with suppliers and customers and its importance for small businesses using e-commerce which can compete with large companies.

Key words: electronic commerce, traditional commerce, development, supply chain management, customer relationship, economic and a managerial perspective, Romania's experience

Introduction

Electronic commerce or e-commerce is the electronic transaction performed using any computer. Such trade means, specifically, any exchange between a seller and a buyer who visits a web site that is performed after a commercial transaction.

E-commerce is defined primarily by the medium itself in which the exchange value that is the Internet, the World Wide Web in which the computers are connected to each other. Such access email clients (e-mail) or system World Wide Web and other information service providers, enabling them to analyse customers' online products and services for businesses (Andam, Z.R., 2003).

In this way, relatively new business achievement requires openness, connectivity and integration. The environment in which electronic commerce is conducted is the global economy in which economic rules lead to continuous transformation of industry and market (Bătăgan, L., Mărășescu, A., Pocovnicu, A., 2010).

1. Electronic commerce – definitions, historical evolution and importance

E-business is a generic term more than e-commerce because it is not limited to sale, offering online services (maintenance services for clients), and keeping in touch with business partners online, and leadership

electronic transactions within the organization (Chan, H., Lee, R., Dillon, T., Chang, E., 2001).

Mobile electronic commerce (or m-Commerce) is carried out through a mobile terminal (Laudon, K., Traver, K.G., 2006), using wireless telecommunications network (wireless) and operates in a context different from the characteristics of e-Commerce hand devices, wireless networks and use different of these devices compared to PCs or laptops (Orzan, Gh., Orzan, M., 2007).

Online marketing or e-Marketing is any marketing activity taking place in the virtual environment by using the Internet. This includes not only advertising that is present on websites, but also other types of online activities such as e-mail and social networking (Laudon, K., Traver, K.G., 2006).

Every aspect of e-Marketing is digital, which means that we are dealing with electronic information is transmitted to a computer or similar device, although naturally it can bind to traditional advertising and sales (Chan, H., Lee, R., Dillon, T., Chang, E., 2001).

Electronic commerce comes with a number of concepts that are characteristic:

a) Intranet - is the internal computer network of a company with the same performance characteristics as the Internet, but which contains documents available to company employees concerned. In this area enter, for example, subsidiaries, affiliates, representatives, etc.

b) Extranet - intranet analogue, adding partners and key suppliers. Extranet site lies at an enterprise value chain (value chain) or supplier chain (supply chain).

c) Supply Chain Management (SCM) - is the idea of integration through e-commerce supplier chain. Nowadays there is a high demand for SCM software (Holcombe, Colin, 2012).

d) Extended enterprise - company transparency to customers and suppliers, knowledge of individual customer needs, profitable relationship between the firm and suppliers, analysing different alternatives sources of supply.

e) Virtual distribution channels - channels are available only through the Internet. It is necessary to rethink the whole supply chain, not enough for a company to open channels of this kind (Stoian, I., Dragne, E., Stoian, M., 2000).

f) Customer relationship - e-commerce is dependent on this type of relationship. Internet type technology helps in achieving

marketing producer individually, i.e., the individual consumer level.

It is difficult to pinpoint exactly when it appeared electronic commerce. There were several predecessors of this trade (Holcombe, Colin, 2012). In the late 1970's, a pharmaceutical company in the United States initiated a simple form of e-commerce B2B (Business-to-Business) using a telephone-based modem allowing hospitals to order pharmaceuticals. This system was later expanded during the 1980's through the PC systems and was copied throughout the United States long before the Internet to become a commercial environment. 1980 took part in the development of electronic data interchange (EDI) (Laudon, K., Traver, K.G., 2006).

The Internet marketing and web introduction in the early 1990's, e-commerce (Chan, H., Lee, R., Dillon, T., Chang, E., 2001) has expanded rapidly. E-Commerce is wide; there are several applications, such as (see Figure no. 1: Applications of e-commerce in nowadays society):

Figure no. 1: Applications of e-commerce in nowadays society

	<ul style="list-style-type: none"> ▪ Home Banking; ▪ Electronic shopping malls; ▪ Buying stocks; ▪ Finding a job; ▪ Participation in tenders; ▪ Collaboration with partners in the online business world; ▪ Customer service. 	
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Source: the authors

2. Electronic commerce – the main forms

Once the nature of transactions, electronic commerce is distinguished by several

forms (see Figure no. 2: "Electronic commerce – the main forms"):

A. Business-to-Business (B2B) consists of all transactions between at least two business partners, are generally performed by

extranet systems. In this connection partners use the Internet, aided by their own names and passwords for websites. Regarding enterprises that use the Internet, they can order directly from suppliers and can receive and pay bills.

This form of electronic commerce requires a variety of financial services that rely on certain items (Holcombe, Colin, 2012):

- Assessment of the solvency;
- Certification of products in terms of quality and delivery thereof;
- Theft protection;
- Fast payment;
- Authorize the sale, settlement, delivery and payment.

Banks are the main providers of such services and are able to ensure the confidentiality of information.

B. Business-to-Consumer (B2C) includes transactions conducted between a business and its customers. The main objectives of this type of transaction are the sale of goods and services, and continuously improve customer relationships. As evidence of success provided by Business-to-Consumer market, e-commerce sites are becoming more and accessed by current and future customers.

C. Business-to-Business-to-Consumer (B2B2C) refers to a business that provides

products or services to a customer's business. By this business he can keep their customers, their employees may be, to which products or services are provided without adding value added tax. An example would be when airlines and travel offers tourist services units generally airline tickets and hotel rooms, their business partners, such as travel agencies, which then provide services to their customers.

D. Consumer-to-Consumer (C2C) is classified as simple type of trade conducted between individuals or consumers. It is characterized by increasing electronic and online auction market and is regarded as having the greatest potential for development of new markets. The C2C submit forms such as organized auction sites, which enables real-time bidding for displaying products on the Internet; and systems and peer-to-peer file-sharing models or exchange.

E. Business-to-Employee (B2E) refers to transactions within a company, for the employees of the company and made its own Intranet system.

F. Government-to-Citizens (G2C) - government of a country providing services to its citizens by means of e-commerce.

Figure no. 2: "Electronic commerce – the main forms"

- A. Business-to-Business (B2B)** consists of all transactions between at least two business partners, are generally performed by extranet systems.
- B. Business-to-Consumer (B2C)** includes transactions conducted between a business and its customers.
- C. Business-to-Business-to-Consumer (B2B2C)** refers to a business that provides products or services to a customer's business.
- D. Consumer-to-Consumer (C2C)** is classified as simple type of trade conducted between individuals or consumers.
- E. Business-to-Employee (B2E)** refers to transactions within a company, for the employees of the company and made its own Intranet system.
- F. Government-to-Citizens (G2C)** - government of a country providing services to its citizens by means of e-commerce.

Source: the authors

3. The advantages and disadvantages of e-commerce

Compared to traditional commerce, e-commerce has many advantages that underpin the on-going development and success of this trade.

The buyer is interested in electronic commerce because it can take advantage of benefits (see Figure no. 3: "The advantages of e-commerce") such as (Holcombe, Colin, 2012):

- **Time:** saves time by visiting virtual shops much more than they would visit in real time;
- **Availability of virtual stores:** program almost non-stop, every day of the year;
- **Free decision:** the buyer has a wide range of products and services with a choice depending on certain criteria (financial, aesthetic, ergonomic, guarantees, etc.);

• **The possibility of purchasing products** even outside the borders of the country the buyer;

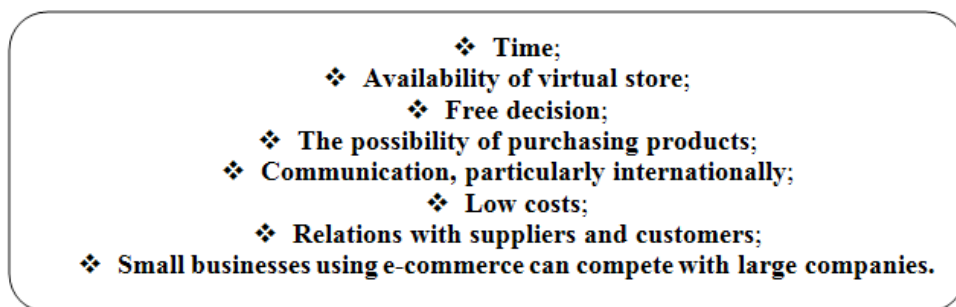
• **Communication, particularly internationally,** which has a high speed establishments on what kind of platform to collaborate to design and develop each product. Using a phone or fax would be practically a noticeable slowdown in speed going through these processes;

• **Low cost,** using the most often websites and e-mail;

• **Relations with suppliers and customers** are much better maintained. Thus through a web site, customers are informed of existing products and receive technical support for products purchased;

• **Small businesses** using e-commerce can compete with large companies.

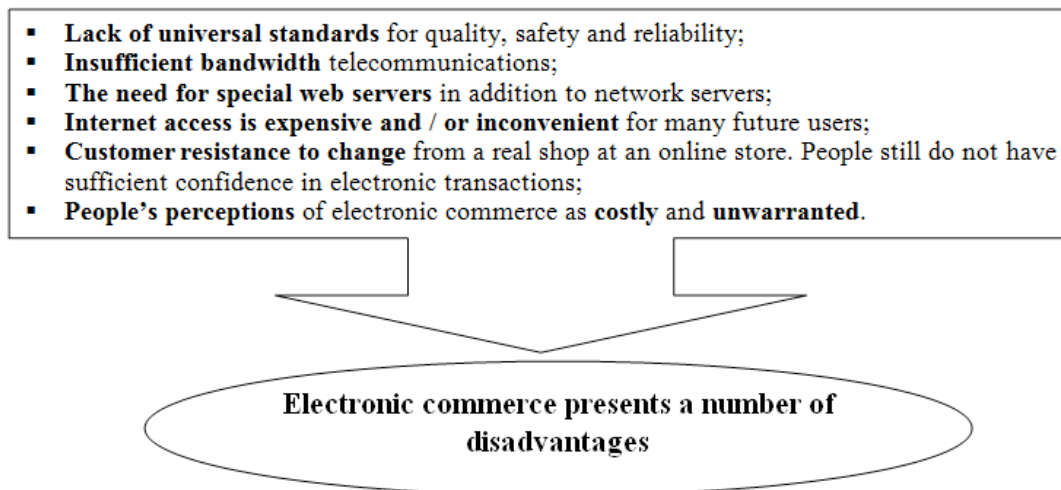
Figure no. 3: "The advantages of e-commerce"



Source: the authors

Also, electronic commerce presents a number of disadvantages (Orzan, Gh., Orzan, M., 2007), standing out issues such as (see Figure no. 4: "The disadvantages of e-commerce"):

Figure no. 4: "The disadvantages of e-commerce"



Source: the authors

- Lack of universal standards for quality, safety and reliability;
- Insufficient bandwidth telecommunications;
- The need for special web servers in addition to network servers;
- Internet access is expensive and / or inconvenient for many future users;
- Customer resistance to change from a real shop at an online store. People still do not have sufficient confidence in electronic transactions;
- People's perceptions of electronic commerce as costly and unwarranted.

4. Electronic commerce versus traditional commerce

The development of e-commerce phenomenon generated questions regarding traditional trade conducted in ways not related to the electronic environment. Movement of people has led to a development of the trade,

which is defined as a plurality of activities relating to a product, the time it was made, by use phase, destruction or consumption thereof (Orzan, Gh., Orzan, M., 2007).

Electronic commerce is not just about trade, but also includes relationships and transfers made between buyer and seller information, information that occurred before and after any commercial activity that took place between them (Popescu, D.V., Popescu, M., 2007). The similarities between e-commerce and traditional commerce are the existence of the same components and the one side and the other, but specific items online commerce, namely (Popescu, D.V., Popescu, M., 2007):

➤ Product or service - these two categories can be physical or electronic form;

➤ Sale location - there are traditional trade location in physical form (shops, supermarkets, outlets etc.), while e-commerce is conducted using the Internet, through a web

site that provides information about products and services;

► Advertising - is an efficient way to persuade Internet users to access a particular website;

► Forms for sale - digital existence and a form for e-commerce (Turban, E., King, D., McKay, J., 2007);

► Forms of payment - in electronic commerce predominantly by Electronic Banking (or e-Banking), representing a form to cash, generally through a bank account and credit card. Securing the page for ordering and connection to a bank needed a functioning e-Banking process;

► Forms of delivery - e-commerce products purchased are delivered by mail, courier or directly from storage.

Regarding the differences between e-commerce and traditional commerce, they are not major, especially considering the phases of business operations. The two forms are distinguished by their trade other aspects, namely (Laudon, K., Traver, K.G., 2006):

► Scope - in general, e-commerce is covered by small and medium enterprises (SMEs). SME strategy priority is to develop competitive legally. This can be achieved through policy strategy to promote the concept of e-Business and SMEs adapt to the latest technology. For smooth running of electronic commerce in SMEs is provided a legal and regulatory framework since 2000. Electronic commerce is defined territory, the Internet is used globally, and this leads to a high number business partners;

► During the making of trade - is an important factor in the evolution of e-commerce and traditional commerce to its delimitation. Electronic commerce facilitates reducing the

time between production and sales, thus ensuring efficiency businesses and consumers can take part in procurement anytime;

► Marketed product categories - traditional trade practitioners sell products and at the same time provide customer service and guarantees. On the other hand, companies that focuses on e-commerce offering for sale products hardware, software, books, tickets for events etc. Instead, it is offered for sale in many food products range because they have low validity periods.

5. Electronic commerce in Romania

Electronic commerce, as a modern business tool, is treated in Romania's economic policy both as a distinct field, aspect resulting from specific regulations adopted on the line regulation of this area, and in the context of economic policy measures relating to the implementation of the information society. Romania was the first country in Europe to be transposed into national legislation, directives adopted at Community level in the areas being considered today one of the most comprehensive legislation in the field (Drăgoiu, Ramona, 2006).

The beginning of electronic commerce in our country is at the beginning of 2004 and was the first e-Commerce system in Central and Eastern Europe at the time (Rădoi, Dumitru, 2005). Although there is a growing interest of consumers towards this type of commerce, virtual stores the number is still small, it is estimated more than 650 such stores (State, O., Costache, I., 2007). When we say that the number of stores is small, we refer to the number of Internet users (over 6 million) and bank cards (8 million). These figures show that the Romanian e-commerce system (State, O., Costache, I., 2007) is still

early on the road, but one thing is certain and that there is a detectable increase in market interest (Rădoi, Dumitru, 2005).

Electronic commerce in Romania began with the first electronic card transactions at the end of February 2004. From February to September 2004 there were only 3106 such transaction and by the end of that year there was a massive increase, reaching to 16,304 transactions. This year when he made his debut electronic commerce ended with a total of 19 410 such transactions in monetary units leading to 3.5 million dollars.

This type of trade Business-to-Business (B2B) in Romania is mainly in the virtual market / digital online trading platform, electronic distributors and service providers. Of all businesses that B2B sites, 28% of them are IT companies, which shows continuous growth in demand for IT products.

Electronic commerce between individuals (C2C) is widespread among young people in Romania and is used mostly for sales / purchases of mobile phones and computer components. Number of sites that practice this type of business is estimated at approx. 1050.

A study conducted in 2008 in order to evaluate e-commerce market in Romania showed that the number of online stores was about 3,000 in 2009-2011, i.e. at the time an increase of 50% in each year. According to this study the first 6 months of 2009 there were 570,000 transactions worth 43.5 million euros, which meant an increase of 68% over the same period of 2008 (Tiliuțe, Doru, 2007).

In recent years can be seen in our continuous development of e-commerce industry in terms of purchasing IT equipment and household products. It provides the legislative framework to ensure a secure future

(Trengeve-Jones, A., Malczyk, A., Beneke, J., 2011), is absolutely necessary for this trade in order to protect purchasers of the virtual environment, e-Commerce flawed or criminal being punished (Tsalgatidou, A., Veijalainen, J., 2000). Thus, Romania is falling slowly but surely in the globalization process which seeks to eliminate barriers in information different geographical and economic areas. The e-commerce aims, worldwide, revolutionizing the traditional trade and national of that country's ability to adapt to whatever is current in technical and economic.

Conclusions:

The evolution of the Internet and technology lead to the development of traditional trade in the near future will be part of major transformations. These changes are redefining global trade activity and the basic principles of marketing.

Nowadays, electronic commerce is approached by more and more companies, seeing in this trade a substantial increase profit opportunity. Worldwide, more and more countries turn to e-commerce as an important element in the economy of their own governments.

We presented the concept of electronic commerce, represented by transactions between a seller and a buyer, conducted via the Internet. The emergence of this trade took place in the late 1970's, when a US pharmaceutical company achieved a form of B2B e-commerce through a modem that allowed hospitals to send commands.

The main advantages of e-commerce are reducing execution time of transactions, reduced costs, supplier-customer relationship better maintained. The main disadvantages are the way people think about this trade and their opposition to the transition from a real

shop in the virtual one.

Electronic commerce has emerged in our country in 2004 and since then it can be seen its evolution, particularly in purchasing IT products.

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The Impact of the Electronic Payment System on the Development of Nowadays Society: an Economic and a Managerial Perspective

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Abstract: *The paper “The Impact of the Electronic Payment System on the Development of Nowadays Society: an Economic and a Managerial Perspective” presents the aspects concerning the impact of the electronic payment system on the development of nowadays society as an economic and a managerial perspective.*

Our research focuses on issues related to the payments sector, the Smartcard, the Electronic Banking, payment systems based on bank cards, the Cyber cash, and the electronic payment systems (1) Net Cash and (2) E-Cash, Micro-payment systems with (1) Millicent and (2) Cyber Coin, as well as the electronic check payments.

Key words: *electronic payment system, payments sector, smartcard, electronic banking, bank cards, cyber cash, net cash, e-cash, micro-payment systems, Millicent, cyber coin, electronic check payments, development, economic and a managerial perspective*

Introduction

The basic function of money is to be exchanged by means of payment depending on the requirements and characteristics of trade. Conducting payments must be made in optimal conditions, thus ensuring fluency and safety of the entire payment process. Currency must react to modern means of payment, being influenced by external economic environment, society, contemporary civilization, conducting more frequent payments through banks and evolving to sign electronic monetary impulse, breaking total real value of the currency of contents constituting challenges and responses of the coin.

In banking was born, using the continuous development of computer science, a new form of money, namely electronic money (e-cash). This term refers to electronic payment systems that allow customers to store and redeem financial value. These systems operate by electronic store of value. Funds can be transferred between people using compatible electronic systems, in some cases without resorting to banks or other financial intermediaries.

1. The payments sector

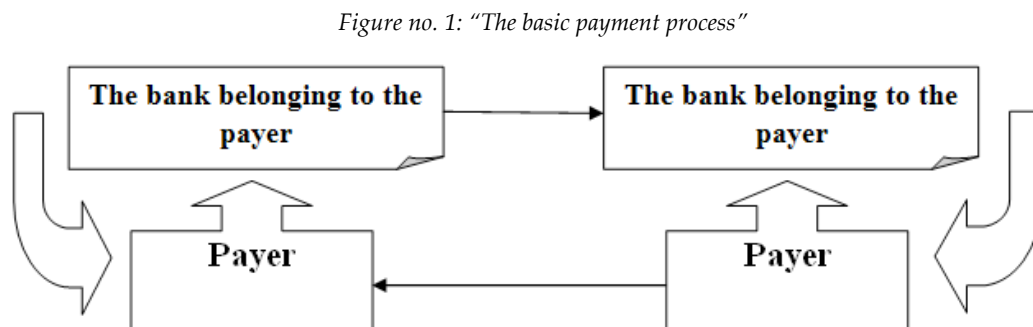
The most important element underpinning electronic card payments (Baddeley,

Michelle, 2004) is used to pay from their own accounts or withdraw money from these accounts. For more complex operations are issued the Smartcards (Cameron, Debra, 1997).

In the traditional system, using card payment transaction shall be:

- The person holding the card presents the service provider;
- It verifies the authenticity card;
- The service provider communicate and assess the data centre using authorization card;
- Authorization centre approves payment from the cardholder;
- Finally be given a receipt in triplicate, in which one remains provider for archiving, one bears the cardholder and the other is for the bank for settlement.

Figure no. 1: "The basic payment process" illustrates a basic scheme simple, reflecting the electronic payment process for certain goods, services, remittances etc. As can be seen, drawn up paying for the invoice (payment document), the payer's task to initiate payment is effective transfer between the payer and the payer bank and in the end it issues a statement to complete the process (Ionescu, Mihai, 2000).

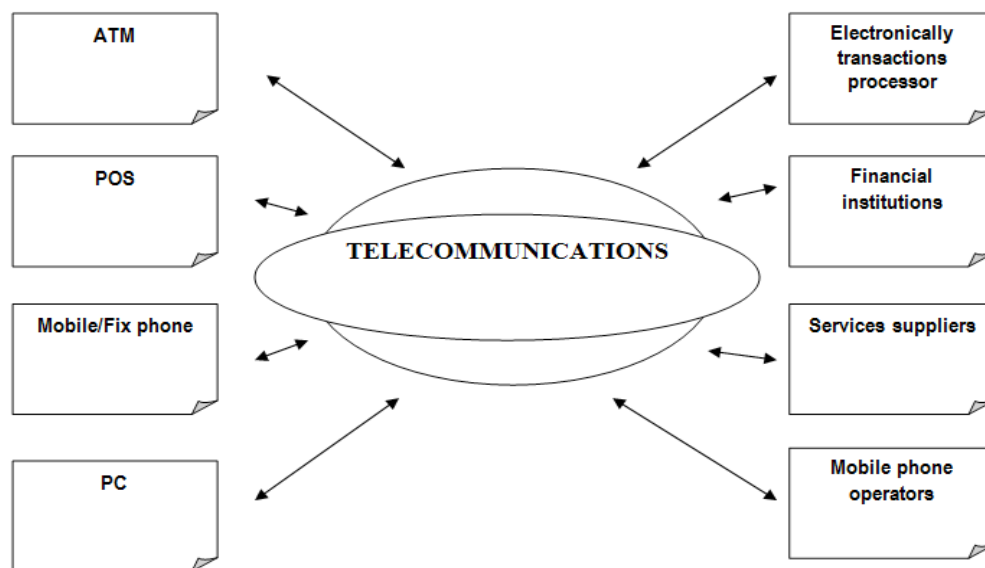


Source: Adaptation after Vasilache, Dan, "Plăți electronice. O introducere", Rosetti Educațional Printing House, Bucharest, 2004

Figure no. 2: “General electronic payment figure” shows the general scheme of electronic payments at participating: telecommunications, electronic transaction processor, cash machines (ATMs), point of sale

(POS), fixed or mobile phone, computer, financial institutions, service providers, and the mobile phone operators (Ionescu, Mihai, 2000).

Figure no. 2: “General electronic payment figure”



Source: Adaptation after Vasilache, Dan, “Plăți electronice. O introducere”, Rosetti Educațional Printing House, Bucharest, 2004

In modern systems are considered final three stages mentioned above. This system is characterized by the fact that the approval and settlement of the transaction takes place much faster. An essential role in this process is played by the ATM's, which are designed to accept and record the data on a card (Coulouris, G., Dollimore, J., Kindberg, T., 2001).

2. The Smartcard

A smartcard is a chip that supports a particular integrated circuit. Because this

card contains one or more electronic chips or integrated circuits that can store and protect information, smartcard can be called also chip card or integrated circuit card (Guttmann, Robert, 2003). If, in addition to the integrated circuit, a smart card comprises a microprocessor, it may calculate the addition and subtraction of the value found there. Capabilities embedded chips are what make the card can be called “smartcard”. Many of these are actually memory cards because they do not contain a microprocessor chips. Memory cards can store data and values, but they cannot perform complex calculations (Manolescu, Gh., 2007).

Another important aspect of smartcards is the security chip, thus making data and information recorded in this type of card is virtually impossible to access, copied and reproduced by people who are not real owners of smartcards. Smartcards are preferred because their use involves reducing operational time and should no longer call the transactional operations to check each part, resulting in a final time and lower cost per transaction. Smartcard chip's memory can store more data and information such as the identity card data; the passport data; the driving license data and loyal customer loyalty points (Mansell, R., When, U., 1998).

3. The Electronic Banking

Electronic Banking is a general term for the process by which a customer may perform banking transactions electronically without having to visit a bank. This concept has several forms of e-Banking, such as PC Banking, Internet Banking, Home Banking, Mobile Banking, remote electronic banking (e-banking remote) etc. PC Banking, Internet Banking and Mobile Banking services are most commonly used by customers (Pascariu, Gh., 2005).

PC Banking is a form of online banking environment that allows customers to perform banking transactions through a computer connected to the Internet. Most banking institutions offer customers a software-based system that allows customers to conduct financial transactions on their computers (Rajput, Wasim, 1998). Then get in touch with the bank customers through the Internet, download data necessary for software, and the software running on the computer. Currently, many banks offer PC

banking systems that allowed customers to obtain information on bank statements, credit cards, pay bills, transfer funds between accounts.

Internet Banking, Online Banking sometimes called is an outgrowth of PC banking community. It is used via the Internet, which can follow the development of banking activity, such as fund transfers, pay bills, view account, paying mortgages, and purchasing financial instruments. Customer accesses (Cameron, Debra, 1997) their account using a browser running programs on the server Bank Internet Banking, and the user's computer.

Mobile Banking site (or m-Banking) can be defined as all technical procedures or procedures by which the payment or proof of payment are made via mobile phone or as a standalone action or in commercial transactions or made in mobile financial system (Pascariu, Gh., 2005).

4. Payment systems based on bank cards

Most transactions (Mansell, R., When, U., 1998) giving rise to purchase goods and services on the Internet is performed using a bank card that contains the customer's data; this data can be captured during transfer over the Internet. Without the software to ensure the confidentiality of the information on the card, any Internet user can obtain and use, illegally, data on the card. It is therefore necessary to achieve good security systems in place, ensuring these payment systems to run properly. Regarding this delicate area firms MasterCard and Visa have reached an agreement, uniting their electronic payment systems, thus taking birth SET protocol

(Secure Electronic Transaction).

This protocol aims security of e-commerce and has the following targets (Mansell, R., When, U., 1998):

- Classification and payment instructions claim and payment information;
- Preserve the authenticity of the data transmitted;
- Ensuring the legality customer and that only the right person is the owner of the card, consents regarding credit card transactions and relationship with the bank concerned;
- Use the safest security to ensure smooth conduct of e-commerce;
- Protocol is not dependent on transport security, and also to not hinder its use;
- Supporting and facilitating effective relationships between software vendors and network providers (Cameron, Debra, 1997).

5. The Cyber cash

While electronic money are used in fund transfer mechanisms through computers, such as credit or debit cards, and to access ATMs and points of sale, the term is used in systems Cyber cash remittance made via the Internet. It is difficult to distinguish clearly between electronic money and Cyber cash because these terms are merged (Mansell, R., When, U., 1998).

Cyber cash Enterprise Incorporated in the United States, founded in 1994, made shortly, particularly in the following year, a secure credit card transactions made using the company's server and while ensuring optimal customer service. For transactions with small amounts, use Cyber cash system is rather a disadvantage, being quite uncomfortable and relatively expensive.

Cyber Cash Company uses a security cards that are used on the Internet. Also, customers and vendors can benefit from a software program developed by the firm. The customer (Cameron, Debra, 1997) can download this program for cards and a wallet like usual, can be used by the buyer to make payments made using several cards. Of course, there is a software program seller alike.

When you buy a product seller server sends a notification to the customer's payment card, describing the acquisition and card types accepted for payment. Card software then allows the client to validate the purchase and the amount, and the next step is choosing the type of card that you buy the product (Baddeley, Michelle, 2004).

After these steps, the seller receives a payment notification from the customer which lists details of the transaction and the digital signature of the customer. In turn, the seller resends the portal Cyber cash all these details, together with its digital signature. Then Cyber cash running a comparison of items received both the seller and the person acquiring such product. If there are no problems and compared data coincide with each other, then the application is approved vendor and operating software with this client consents card payment.

In order to ensure greater security Card Company Cyber cash Incorporated has developed its own payment system, providing facilitation and simplification of electronic payments systems by introducing Secure Cash / Check and Secure Check and, if smaller transactions system was introduced Cyber Coin. Exactly, Cyber Cash Company, in partnership with the University of Southern California worked together, putting in place systems Net Cash for transactions

using electronic money and Net Cheque system that uses electronic checks (Baddeley, Michelle, 2004).

6. Electronic payment systems

6.1. Net Cash

The Net Cash is an electronic payment system which is carried out online and was created at the University of Southern California, specifically in the ISI (Information Science Institute). Unlike E-Cash payment system, which is 100% secured payment anonymity if Net Cash system we can talk about that money can be detected, providing other ways but payments can be anonymous to a certain extent.

This system includes the following elements (Baddeley, Michelle, 2004):

- Customers;
- Dealers;
- Servers' currency (SM).

Servers' currency issue electronic money, which in turn has the following characteristics:

- Currency server name;
- Currency server address;
- The validity of electronic currencies;
- Electronic coin series;
- Value.

The acquisition process through Net Cash system comprising:

➤ The client directs electronic currencies in the notification of payment;

➤ Upon receipt of electronic currencies, the seller is to check their validity, sending them to the server in order to have money to be replaced by other coins of this type or with a check;

➤ Currency server accesses its database to check the validity of coins;

➤ The seller notes that payment was properly prepared, returning them to final customer payment confirmation.

6.2. E-Cash

E-Cash is a payment system designed and implemented to make purchases over open networks such as the Internet. Need a payment system that performs electronic transactions is increasing, which is directly proportional to the increasing use of Internet in our daily lives. Electronic payment systems today have a major problem, namely, they cannot deal with security and anonymity of users and at the same time, these systems are reliable only on the cost of maintaining the anonymity of the users (Mansell, R., When, U., 1998).

Digi-Cash is a private company founded in 1989 by David Chaum. It has made the introduction of money on the Internet, now referred to as "e-cash". E-Cash-created by this company was used for several types of transactions and represents a value stored in a cryptographic system that facilitates electronic commerce using the software that runs on personal computers. It provides a way to implement anonymous electronic payments in an environment of mutual distrust between the bank and system users (Mansell, R., When, U., 1998). The manner of representation Digi-Cash values are cryptographic tokens that can be withdrawn from bank accounts held in other bank accounts, or transferred to another person. Its properties include ideal security, anonymity, portability, ability to run offline, easy to use by customers, widespread acceptance.

Payment Protocols via e-Cash can be used in two ways: online and offline, last mode is ideal for optimum operation of a protocol.

The characteristics of these protocols are (Mansell, R., When, U., 1998):

a) Electronic payment protocol offline:

offline payment is made when the dealer checks the user's electronic money, then to be stored after the payment transaction has been completed. This means that a user can freely transfer money system offline by the retailer at any time of day without involving a third party, such as a bank. This is done using a device similar to a smartcard reader located at points of sale. The device is used with confidence by the bank, checking the authenticity of the coin, but cannot verify that the coin was spent twice. Offline systems are more sensitive to the problem, the costs and, therefore, suitable for small transactions.

b) Online electronic payment protocol:

merchant bank to verify the validity sound chip user before accepting payment and deliver the merchandise to. Online payment is required for transactions that require a high level of security. With an online system, payment and submission are separate steps. Online systems require communication with the bank during each payment, and thus more expensive. However, online protocol is simplified version of the protocol offline. Since online systems must be able to verify the credibility payers, it is almost impossible to protect the anonymity of its users, requiring communication with a third party during the payment transaction.

7. Micro-payment systems

In the virtual environment (Socol, Adela, 2005) there are many services that deal with promoting newspapers, shops

generally cheap items, small, which if sold individually, the advantage of being attractive to people who use the Internet. These people are willing to invest an amount of the order cents to purchase at least one item that awakens interest if they see first item. An application that does not require a large investment is defined by the payment of accessing websites.

Such micro-payments are designed to support the existence of economically outline to help lower the transactions, the order of a few cents. In these systems, micro-payments we find two concepts that are used for electronic payments, namely:

- Millicent;
- Cyber Coin.

7.1. Millicent

Millicent scheme is to develop a secure distribution and use of scrip's. Scrip is a specialized form of the digital cash, designed for the use of low-value transactions (Socol, Adela, 2005).

Millicent interest since several of its security techniques have results that differ from the results of other security systems. Scrip site is a form of digital cash that is available only to a particular supplier, is designed as follows (Socol, Adela, 2005):

- Has value only to a specific provider;
- Can be used only once;
- It is difficult to counterfeit;
- May be used only by the rightful owner;
- Is produced and validated effectively.

Scrip is generated and distributed by brokers, who may be financial institutions or providers in the virtual environment. Brokers changes scrip (Socol, Adela, 2005)

for your real money buying scrip (or right to generate the scrip) from suppliers, taking advantage of the discount and resell scrip at the expense of the customer's credit card or other forms of payment. Customers can purchase scrip for several vendors from a single broker and paying taxes until after a certain period of time. Millicent was designed as an electronic cash offer adequate security to prevent misuse. Security's scrip is based on digital signatures and encryption is used for keeping secret information where necessary. Cryptography that does not require a high cost in this case is used as the cost of breaking the security system is greater than the value of transactions for which it is used. Millicent scheme can be implemented without the support of other services as a trusted identity does not depend on external customers or suppliers. Instead, Millicent generates and distributes unique secret key for use by parties to transactions scrip sites.

7.2. Cyber Coin

If this system of micro-payments using credit cards is proven to be cost-effective because Cyber Coin is used in very small amounts payments, the maximum being \$ 10 (Worstell, K., Gerdes, M., Kabay M., 2001). Customers can access their accounts in banks to transfer money to their own card. When the card is loaded, the client can begin to use it, making micro-payments company-approved sites Cyber cash with a program called Cash Register. Cyber Coin is based on the notion of Cyber Coin session (U.S. Department of Treasury, 2000). This session is similar to a check book, which in turn owns more checks, each check is not reusable. The session ends with the use of all checks or if their expiry

date has passed (Worstell, K., Gerdes, M., Kabay M., 2001).

8. Electronic check payments

Electronic checks (Sumanjeet, Singh, 2009) were made to make payments using electronic signatures and messages that are provided in terms confidential. The electronic check qualifies in terms of preventing crime, both from banks and from customers. Electronic check replaces the usual paper and electronic signature on the handwritten. Smartcard protects electronic check any unjustified use by persons who want to use that check, thereby stopping the fraud. Smartcard, in turn, is secured by PIN known only to the person who owns the card (Şerbu, Răzvan, 2004).

The handwritten signature of the cardholder turns out to be almost impossible to fake. However this can only be achieved if falsification private key of the cardholder (Şerbu, Răzvan, 2004) is within everyone's reach. The private key must be properly secured so that only the signatures belong to the legitimate holders of cards (Srivastava, S., Saraswat, V., 2012).

The electronic check system comprises the following steps:

- The buyer completes an order form, attach your check electronically sign it with his private key, then the public key certificate is attached, following encryption private key and sent to the supplier;

- The seller using its private key checks the certificates buyer, signature and checks it, then attached submission form, approved form using public key certificates. These are sent to his bank;

- Bank provider verifies signatures and certificates and send the check for payment;

►Where the check is approved, the amount is credited to the account of the seller;

►The buyer receives regular advice from the bank account management.

Conclusions:

In this paper we highlighted the main forms of electronic payments. In the banks are used in a proportion higher increasingly electronic money (e-cash), via computer store.

Among the special features of a smart-card chip include, chip, microprocessor and not least high data security included.

Electronic Banking is based on several forms, the most common being PC Banking, Internet Banking and Mobile Banking.

Among the most common are electronic payment systems through bank cards. This system is based on data confidentiality, authenticity, and security for the purposes of the transactions.

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Cristina Raluca Popescu is currently Associate Professor PhD. at the University of Bucharest, Bucharest, Romania and PhD. student at her second PhD. in Management at The Bucharest University of Economic Studies, Bucharest, Romania. For Cristina Raluca Popescu the contribution to this paper is the result of the work done during the Doctoral School of The Bucharest University of Economic Studies, Bucharest, Romania, in the field of Management.

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Bioeconomy analysis in Aesthetic Dentistry

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Abstract: Bioeconomy is currently an area of great and mighty power development. High complexity of this field is to combine the use of technologies that use biological resources in the range of human values involved.

This study requires that objective SWOT analysis applied in dental esthetics with strict reference to the quality of work in relation to aesthetic and functional effectiveness of the treatment, the life, the method of reconstruction, working technique, the degree of invasiveness of treatment in relation to conservation dental tissues, execution costs, costs of resources used in dental anterior segment reconstruction and economic analysis of the modalities of treatment techniques reported the need and level of understanding of patients on treatment aesthetic-functional complexity. As material and method took into account the interaction of four factors: Strengths-Weaknesses-Opportunities-Hazards. In group "Strengths" we have included successful treatment aesthetic-functional execution moderate cost, short time working on the seat, which shows limited use of natural resources. In group "Weaknesses" I included invasiveness of biological treatment, increased during execution of the work, aesthetic-functional failure, lack of training practitioners in dental aesthetics, lack of existant cabinets to promote interest in aesthetic dental medicine. "Op-

portunities" referred to the minimally invasive treatment of dental tissue in existing clinical context with predictable results, as higher interest of patients for dental esthetics, raising the standard of care internationally. on group "Risks" (threats) I listed: low resistance while works (weak predictability), decreasing purchasing power, changing customer preferences, increase service quality standards.

In the second chapter we presented a report on the economic analysis - term labor - cost - average degree of patient satisfaction . In order to establish an economic plan to make a technical report of treatment (labor) - price, average duration, satisfaction, relative to direct restoration techniques versus indirect techniques .

In conclusion, SWOT analysis can be successfully applied to a better targeting of treatments, applying a plan lines for management in dental treatment units. None of direct techniques can not fit the bio-economy principles (saves time, money, dental tissue) in the short term. All maneuvers efficient in terms of functional aesthetics dentistry win at time saving and lost tooth structure chapter to the cost issue. In the long run costs can be amortized, especially since the restoration increases predictability.

Key words: bio-economy, aesthetic and functional dental tissue, cosmetic dentistry, minimally invasive.

1.1. Introduction

Bioeconomy is currently an area of great and mighty power development. High complexity of this field is to combine the use of technologies that use biological resources in the range of human values involved. Following this economic area of interest for early assessment of technologies, both in business and in the area of social perspective.

Bio principles in dental aesthetics are respected not only by the minimum sacrifice of hard tooth substance, and by conducting functional aesthetic treatments of high quality, durability as extended time so as to reduce the amount of resources possible used to achieve these esthetic restorations.

SWOT analysis is a technique that can identify strengths and weaknesses and the opportunities and threats can examine a project of an action or of a person and can be used as part of achieving balance [4, 7, 8, 9].

In general, there are two ways that can be used SWOT analysis: professional or personal purposes. For personal, SWOT analysis can be used to monitor a person's career,

noting the skills and problems that it has. In a professional context, SWOT analysis can be used to measure the profitability of a business or a project [3, 10, 11, 12].

1.2. Objectives:

1.SWOT analysis in aesthetic dentistry with strict reference to the quality of work in relation to aesthetic-functional treatment efficiency, lifetime, method of reconstruction, working technique, the degree of invasiveness of treatment in relation to conservation dental tissue, execution costs, costs of resources used in dental anterior segment reconstruction.

2.Analysis of economically the modalities of treatment techniques reported the need and level of understanding of the complexity of patients' aesthetic treatment.

1.3. SWOT analysis

Materials and methods:

The SWOT analysis took into account the interaction of four factors : Strengths-Weaknesses-Opportunities-Risks (fig.1.1) .

Fig.1.1 The SWOT Analysis



In Group I included **Strengths:**

- Successful treatment aesthetic-functional (no appearance of carious processes, microleakage, texture and color retention, marginal gingival tissue biointegrated correctly without inflammatory processes, preserving anatomical shape);

- Moderate execution costs;

- Short time working on the seat, which shows limited use of natural resources. All these elements are advantages in the current socio-economic context .

In Group I included **Weaknesses:**

- Invasiveness of biological treatment;

- Increased during execution of the work;

- Failure aesthetic functional(metallosis appearance at gingival inflammation, color and textural aesthetic degraded inadequacy maxillary complex dynamics);

- Lack of training practitioners in dental aesthetics;

- Lack of existence cabinets to promote interest in aesthetic dental medicine .

Opportunities:

- Minimally invasive treatment of dental tissue in existing clinical context with predictable results;

- Bigger interest of patients for dental esthetics;

- Raising the standard treatment internationally.

Risks (threats):

- Low resistance while works (weak predictability);

- Reducing purchasing power;

- Changing customer preferences;

- Increasing the service quality standards.

Results:

The first analysis includes direct and indirect veneer treatments (Table 1.I).

Table 1.II

Treatment aesthetic	Strengths	Weaknesses	Opportunities	Threats
Direct veneers	<ul style="list-style-type: none"> - for fast execution; - Good aesthetics - Are subject to change by the practitioner; - Does not involve costs and collaboration with dental laboratory; - Moderately priced. 	<ul style="list-style-type: none"> - 4-5 years -predictability by color degradation, microleakage. 	<ul style="list-style-type: none"> - Minimally invasive preparation; - Can be a prediagnostic mock-up for indirect; - Bigger interest of patients for dental esthetics. 	<ul style="list-style-type: none"> - Low resistance.
Indirect Veneers	<ul style="list-style-type: none"> - excellent aesthetics; - Predictability 8-9 years old; - Elimination phase of finishing and polishing; - Good resistance. 	<ul style="list-style-type: none"> - High cost; - Execution in 2-3 sessions; - Collaboration with the dental team. 	<ul style="list-style-type: none"> - Minimally invasive technique of preparation; - Developing an aesthetic ideal (natural); - Customized aesthetic treatments; - Bigger interest of patients for dental esthetics 	<ul style="list-style-type: none"> - Reducing purchasing power; - Lack of training practitioners in dental aesthetics; - Lack of information to patients

A second analysis includes crown restorations made with composite nanohybrid which will be analyzed in terms of dental

tissue preservation, working technique, execution time, predictability and costs (Table 1.II)

Table 1.II

Treatment aesthetic	Strengths	Weaknesses	Opportunities	Threats
Crown restorations performed with classical technique	<ul style="list-style-type: none"> - low-cost; - Knowledge of classical techniques of execution 	<ul style="list-style-type: none"> - Predictability 4-5 years; - Laborious technique of execution of composite stratification; - Finishing and polishing laborious; - Bordered infiltration; 	<ul style="list-style-type: none"> - Reduction of polymerization shrinkage factor C; - Materials, more efficient techniques. 	<ul style="list-style-type: none"> - Occurrence of polymerization shrinkage; - Increasing the service quality standards

Crown restorations made with vibratory technique	<ul style="list-style-type: none"> -excellent aesthetics - Minimum working time by reducing maneuvers finishing and polishing; - Top marginal adaptation. 	<ul style="list-style-type: none"> - Slightly higher costs; - The investment in the professional instrumentation. 	<ul style="list-style-type: none"> - Predictability 7-8 years 	<ul style="list-style-type: none"> - reducing purchasing power; - Lack of training practitioners in dental aesthetics; - Lack of public information to esthetic dentistry.
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A third analysis refers to indirect restorations made of aesthetic works, considered in terms of fingerprinting, execution time,

methods of implementation, cost and predictability (Table 1.III).

Table 1.III

Jointly aesthetic dentures	Strengths	Weaknesses	Opportunities	Threats
Classic Impression	moderately low cost	<ul style="list-style-type: none"> - 2-3 working session; - Changes in impression materials; - Implementing many stages of work in the laboratory that can give errors; - Insufficient visibility of elements on field work - Labor sometimes difficult for the patient; - Hygiene problems. 	<ul style="list-style-type: none"> - Increasing the service quality standards. 	<ul style="list-style-type: none"> - Errors due to the use of inappropriate materials; - Increasing the service quality standards.
Digital fingerprinting CAD / CAM	<ul style="list-style-type: none"> - working time reduced to a meeting; - Extremely low error; - Achieving adaptation occlusal computer; - Not involving the use of virtual ELEMENTS costs and no damage. 	<ul style="list-style-type: none"> - Costs slightly raised; - The investment in the instrumentary.. 	<ul style="list-style-type: none"> - Promoting widespread techniques fingerprints; - Increasing service quality standards; - Raising the standard treatment internationally. 	<ul style="list-style-type: none"> - Return on investment in a long time; - Reducing purchasing power.

Discussions

SWOT analysis shows that the main risks are related to dental esthetics diminishing purchasing power and changing customer preferences. Strengths were related esthetic results obtained in relatively short time and with minimal sacrifice of dental tissue.

Weaknesses were consistent classical techniques, or the high costs of the investments required.

Opportunities corresponded bigger interest of patients for dental esthetics, raising the standard treatment internationally, increasing service quality standards.

Offering new services is an excellent way to develop dental practice and attract new clients, especially in an economy whose evolution is slower. The challenge is to find those services that not only improve patient care but generate extra income and can easily be incorporated into existing systems of practice for a long time. Dentistry has traditionally been an area which provided mainly a limited set of services. The economic downturn has caused a change so that it became imperative to increase practical opportunities by expanding clinical service packages.

For dentists and dental practice core mission remains to promote and maintain excellent oral health, regardless of economic status.

One of the best opportunities to expand dental services is to implement customized aesthetic treatments.

Today, esthetic dentistry has to answer the following questions:

1.What does the ideal treatment for patients?

2.What are the implications if a patient does not accept the recommendation

ideal?

3.Acceptance of optional services are ideal treatment or simply a luxury?

Physicians should provide the ideal treatment for patients based on a comprehensive assessment of their immediate requirements and ensure long-term oral health. Before determining whether patients will be interested or have the financial ability to accept treatment, should be developed and presented ideal treatment plan. In this trial, patients must understand that the dentist has the vision of their interest in aesthetics and health. Presentation ideal treatment also serves to educate patients on raising awareness of the patient on the treatment recommended to establish an order of priority for completion of the procedures recommended.

1.4. Economic analysis on labor-value ratio-term average level of patient satisfaction.

Material and methods:

In order to establish an economic plan was made a technical report of treatment (labor) - price, average duration, satisfaction, relative to direct restoration techniques versus indirect techniques. It is quite hard to out in terms of prices, because we talk about treatment plan executed in a given clinical context, however we will analyze comparative prices reported only maneuvers that can support this comparison.

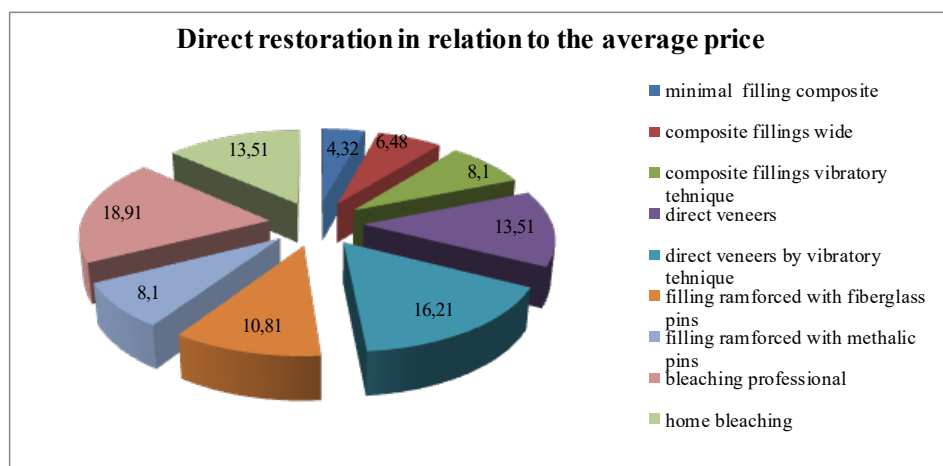
Results:

Data was entered in the following tables (Tables 1.IV, 1.V, Fig.1.2, 1.3).

DIRECT RESTORATION- Table 1.IV

WORKMANSHIP	AVERAGE PRICE	AVERAGE DURATION	SATISFACTION DEGREE S.....M.....R		
Composite filling small	80 lei	4-5 years		*	
Composite fillings extended	120 lei	4-5 years		*	
Composite obturation technique vibratory	150 lei	7-8 years			*
Veneers	250 lei	4-5 years		*	
Veneering technique viratorie	300 lei	7-8 years			*
Armed aesthetic fillings					
	200 lei	5-6 years			*
Reinforced with metal fillings	150 lei	4-5 years	*		
Whitening cabinet	350 lei	1-2 years			*
Whitening ambulatory	250 lei	1 year			*

Fig.1.2 Direct treatment value



Of direct maneuvers executed in the most expensive aesthetic therapies are performed in office whitening (18.91 %) and direct facets vibratory technique (16.21 %). In contrast, the lowest prices are those for conventional composite restorations.

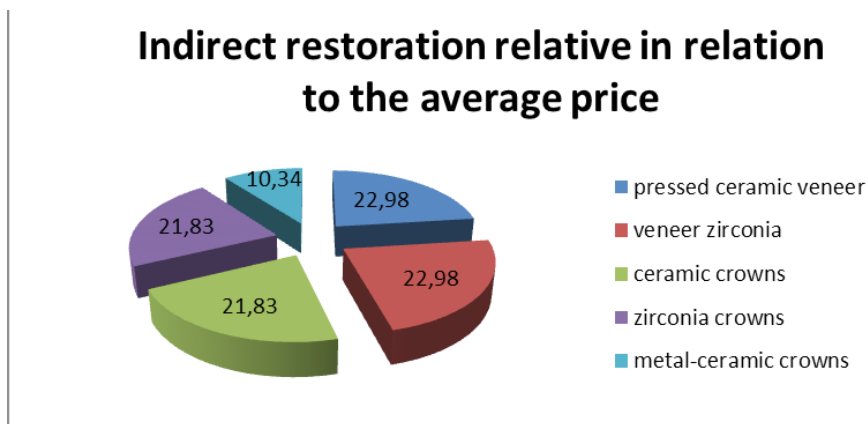
By reporting price-term average shows that there is not always a proportionality between these two parts. Example clearly refers to bleaching techniques that are top

in terms of price but the last places, the average length of persistence. However, patients are satisfied in terms of aesthetics, which is a major element in the choice of dental therapy. Technical application of the composite vibration corresponds in terms of value for money medium term increased price is justified by both aesthetically satisfying the most demanding patients and increased average duration of 7-8 years.

INDIRECT RESTAURATION- Table 1.V

WORKMANSHIP	AVERAGE PRICE	AVERAGE DURATION	SATISFACTION DEGREE		
			Low.....	Med.....	High
Veneers pressed ceramic	1000 lei	10-11 years			*
Zirconiaceramic veneering	1000 lei	10-11 years		*	
Ceramic crowns	950 lei	11-12 years			*
zirconia crowns	950 lei	11-12- years			*
Metalo-ceramic crowns	450 lei	10-11 years	*		

Fig.1.3 Indirect treatment value



Among the most expensive treatments are indirect veneers and zirconia ceramic veneers (1, 5), followed very small differences ceramic crowns (2, 6).

Veneers are an investment with increased price because they are considered aestheticization treatment, but not always necessary when you want an image enhancement. It also can be done in any event. But coverage crowns are often necessary and can be used in more complex situations functional restoration and reintegration dental articulation system.

Prices are high but justified ceramics by high patient satisfaction, so aesthetics at the highest standard and median of 10 years.

Discussions

There are two main reasons that may prevent a patient to accept a cosmetic treatment: cost and fear of being prepared natural teeth, translated by fear of the dentist, which is an invasive treatment.

The average cost of an indirect facings is about 9000-1000 lei and in most cases, patients require a minimum of 8 to 10 facets for a pleasing result. The result is a total cost of about 72000-10000 lei for these services, an amount that is unthinkable for many patients. It is difficult for them to understand that this cost, for the most part, is the time to make stool obstruction to other more laborious techniques and less invasive.

The composite restorations price difference is the time spent on nationalization

and finishing direct restorations. They are still cheaper, involving fewer sessions and have additional dental baskets. Costs vary between 300-400 lei per side, so a complete treatment would facets 8-10 2400 lei- 4000 lei. In addition, fear of grinding is low, as the preparations for facets are minimal or lacking in clinical situations that allow their application without preparation.

1.5 Conclusions:

1. SWOT analysis can be successfully applied to a better targeting of treatments, applying a plan lines for management in dental treatment units.

2. None of the direct techniques can not fit the bio-economy principles (saves time, money, dental tissue) in the short term. All effective maneuvers that wins aesthetically Chapter saves time and lost tooth structure to the cost issue. In the long run costs can be amortized, especially since the restoration increases predictability.

3. From the aesthetic point of view, relative to the average income of the population,

faces technical executives by vibration is a viable solution.

4. Clinical situations that require complex prosthetic treatment can be solved by metal-ceramic works, given the predictability of revenues and treatments.

5. It is strictly necessary to understand the complexity of aesthetic treatment, the positive role of this type of treatment parallels the physical appearance and social, so his acceptance in terms of health, social aspect to be fully financially satisfactory.

6. SWOT analysis can be successfully applied to a better targeting of treatments, applying a plan lines for management in dental treatment units.

7. None of the direct techniques can not fit the bio-economy principles (saves time, money, dental tissue) in the short term. All effective maneuvers that wins aesthetically, saves time and lost tooth structure loses to the cost issue. In the long run costs can be amortized, especially since the restoration increases predictability.

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Problem-solving and developing quality management methods and techniques on the example of automotive industry

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Abstract: The knowledge about methods and techniques of quality management together with their effective use can be definitely regarded as an indication of high organisational culture. Using such methods and techniques in an effective way can be attributed to certain level of maturity, as far as the quality management system in an organisation is concerned. There is in the paper an analysis of problem-solving methods and techniques of quality management in the automotive sector in Poland. The survey was given to the general population, which in case of the study consisted of companies operating in Poland that had certified quality management systems against ISO/TS 16949. The results of the conducted survey and the conclusions of the author can show actual and potential OEM suppliers (both 1st and 2nd tier) in which direction their strategies for development and improvement of quality management systems should go in order to be effective. When the universal character of methods and techniques used in the surveyed population of companies is taken into consideration, it can be assumed that the results of the survey are also universal for all organisations realising the TQM strategy. The results of the research confirmed that methods which are also the basis for creating key system documents are the most relevant ones, i.e. flowcharts and FMEA, and moreover process monitoring tools (SPC) and problem solving methods -above all 8D.

Key words: quality management, quality techniques, automotive industry, FMEA, SPC, 8D, problem solving, quality methods

1.Introduction

The knowledge about methods and techniques of quality management together with their effective use can be definitely regarded as an indication of high organisational culture. Using such methods and techniques in an effective way can be attributed to certain level of maturity, as far as the quality management system in an organisation is concerned. Such maturity, in turn, can be achieved when the top management is aware that the use of such methods and techniques is reasonable and that it is necessary to incorporate such methods and techniques in corrective actions and actions taken as part of the continuous improvement process. It has to be pointed out here, though, that only a limited number of organisations use the tools. Even fewer organisations do it with deliberation as a permanent element of their quality management systems. The customers most frequently require this type of actions to be taken (e.g. Fortel Q (the requirements of VW), Alliance Supplier Guide (ASG) (the requirements of Nissan and Renault)) or standard requirements (e.g. ISO/ TS 16949:2009, TL 9000). There is in the paper an analysis of problem-solving methods and techniques of quality management in the automotive sector in Poland. The survey was given to the general population, which in case of the study consisted of companies operating in Poland that had certified quality management systems against ISO/TS 16949.

2.Literature review

Such maturity, in turn, can be achieved when the top management is aware that the use of such methods and techniques is reasonable and that it is necessary to incorporate

such methods and techniques in corrective actions and actions taken as part of the continuous improvement process. It has to be pointed out here, though, that only a limited number of organisations use the tools. Even fewer organisations do it with deliberation as a permanent element of their quality management systems. The customers most frequently require this type of actions to be taken (e.g. Fortel Q (the requirements of VW), Alliance Supplier Guide (ASG) (the requirements of Nissan and Renault)) or standard requirements (e.g. ISO/ TS 16949:2009, TL 9000).

One of the main assumptions underlying a quality management system is improving the ability to define nonconformities, as well as to plan and realise corrective and preventive actions. ISO/TS 16949 is a standard for QMS. This standard outlines the specific requirements for the application of ISO 9001:2008 to automotive production and relevant service part organizations (Lin et al 2004). This standard recognizes the uniqueness of every automotive supplier's process, while providing critical tools to help your company better meet customer specific requirements (Bakhtiar et al 2010).

What it means in practice is that the organisation must implement effective mechanisms thanks to which it can react fast to any problems, analyse the causes of the problems and choose and realise the most appropriate actions that are directed at the causes of such problems. What is more, one should not forget about the requirements set in standardised management systems, and especially in Chapter 8 Measurement, analysis and improvement (ISO/ TS 16949). This chapter determines the need to take actions related to defining nonconformities, identifying the causes of nonconformities, correcting

nonconformities, as well as planning and realising corrective and preventive actions. However, the standard defines only what should be done. It does not state which methods and tools should be used to meet the requirements and realise the targets. A significant number of those methods are even called systems, because they constitute an integral and necessary element of cooperation between organisations in the customer-supplier relations, (Liker and Hoseus 2009; Bandyopadhyay 2007; Delbridge 2007; Liker and Meier 2008; Sila 2006; Żuchowski and Łagowski 2004; Imai 2007; Nazrul et al 2012).

The methods of problem solving can be used in supply chain management in automotive sector (Scalera 2011). Supply Chain is defined as a system where suppliers, contractors, clients and their agents work together in coordination to install and utilise information in order to produce, deliver materials, plant, temporary works, equipment and labour and other resources for construction project (Hatmoko Scott 2010). Supply Chain Management as a whole takes a system view of the production activities of autonomous

production units and seek global optimisation of these activities (van Tran et Tookey 2012).

Literature of the trade, describes a great variety of methods and techniques of quality management that are used in practice (Łuczak and Matuszak-Flejszman 2007; Wolniak and Skotnicka 2011; Munir et al 2012; McGeoch et al 2013; Schlitz and Ladenburg 2013; Duru et al 2013; Franceschini and Turyna 2013; Damasio et al 2012; Kuo et al 2012; Vila et al 2013; Cheng et al 2012) and especially in automotive sector (Łuczak 2008, 2010; Wolniak 2012, 2013; Wolniak and Burtan 2010).

Quite often the two terms, i.e. "method" and "technique" are used interchangeably. Encyclopaedic sources (PWN 1999, p. 74) usually define a "method" as a conscious and consistently used way of conduct to achieve specific aims, i.e. a set of deliberate actions and means. On the other hand, "a technique" is a deliberate and rational way of conduct in a specific area that is based on theory. At each step of the Deming Cycle some tools for quality management can be used, as shown in Table 1.

Table 1. Tools for quality management used at each step of the Deming Cycle

Step 1 – plan:	<ul style="list-style-type: none"> – Flowchart, – Nominal Group Technique (NGT), – Pareto Analysis, – Brainstorming, – Cause-and-effect Diagrams, – Process mapping, – Hoshin Planning.
Step 2 – do:	<ul style="list-style-type: none"> – Design of experiment, – Process monitoring, – SPC, – Control plan.

Step 3 – check:	<ul style="list-style-type: none"> – Control sheets, – Control charts, – Key process characteristics indicators, – Control sheets.
Step 4 – act:	<ul style="list-style-type: none"> – Process modelling, – Force Field Analysis, – Impact analysis.

Source: own study based on (Tague 1995; Smith 1998).

It is also very important to pay attention to the methodologies of problems solving, which in essence refer to particular tools and methods. Above all, the 8D method (developed at Ford Motor Company) is worth remembering (table 2). This method is based on a multi-stage approach to a problem, starting from a full diagnosis of its causes and ending with ensuring the efficiency of undertaken actions that are also consolidated in a system. Many authors (Elsmar, 2012; Jung, et all,

2011; Kokol and Gladež, 2011; Ubani, 2011) describe the eight disciplines of systematic problem solving. Their theoretical description and practical experience on the use of the 8D method (eight steps) are collected in the following sub-sections. The 8D method is a procedure for systematic introduction of improvements and elimination of problems and errors. It can be used on a product, but also on a system and process level.

Table 2. Stages of the 8D method

No.	Phase of the 8D process	Description
1	Appointing the 8D team	Establishing a small team of employees with knowledge about the problem/ product/ process that has the authority, time and skills to solve the problem and implement corrective and preventive actions, choosing the team leader.
2	Defining the problem	Defining the internal or external problem – determining what is improper and describing it in a way allowing answering such questions as: What? Where? How? How many? etc.
3	Implementing and verifying interim actions	Defining and implementing interim actions to protect the internal/external customers from the problem until permanent corrective actions can be implemented. Verifying the effectiveness of these actions.
4	Defining and verifying root causes	Identifying all causes that could explain why the problem occurred. Identifying and verifying causes by testing each potential cause against the problem description and available data. Defining possible corrective actions to eliminate the root causes.

5	Choosing Permanent Corrective Actions	Confirming through pre-production programs that the selected corrective actions will resolve the problem for the customer and will not cause undesirable effects. If appropriate, based on risk assessment.
6	Implementing Permanent Corrective Actions	Establishing an implementation plan for permanent corrective actions and defining a system of on-going control over their effectiveness. Ensuring that all root causes or undesired effects are eliminated, monitoring the long-term effectiveness and implementing alternative actions, if it is necessary.
7	Preventing recurrence	Modifying the management system in the scope required to prevent recurrence of this and all similar problems in the future. Identifying possibilities for improvement and establishing a process of initiatives for improvement.
8	Congratulating your team	Recognising the work of the team.

On the system and process level, the 8D method is used as a tool for continuous improvement / as corrective measures to remedy minor or major non-conformities. The use of the method on a product is focused on solving the problem identified on the product (customer complaints as well as internal/inter-plant complaints). The table 2 characterises the phases of the 8D method (Krajnc 2012).

Quality teams established to solve particularly significant problems in case of which neither the root causes nor the mitigating measures are known use the 8D method. During each of the abovementioned phases, different quality management methods can be used. For example, at the fifth phase (Choosing Permanent Corrective Actions) the following methods are used: FMEA, cause-and-effect (Ishikawa) diagram, verification plans, DVPSOR reports.

3. Brief description of research method and data collection techniques.

In order to explain the research problem the aim of the paper had to be defined at first and then realised. In case of the following paper the aim was narrowed down to identifying the methods and techniques that were used by OE/OES suppliers in the automotive industry, on the one hand, and evaluating how relevant each one of them was for the QMS to be effective, on the other hand.

In consequence, the following tasks had to be performed in order to realise the general aim of the paper:

- Verifying reference literature on quality management in automotive industry, and specifically literature that was directly related to the formulated research problem.
- Collecting documents, standards, procedures that constituted sets of essential methods and techniques and were exclusively determined in customer specific requirements (CSR).

- Identifying requirements which were not formalised and had the nature of know-how used by OEM suppliers.

- Describing key methods and techniques of quality management that were used in the automotive industry.

- Studying the relevance of requirements on a sample of companies which underwent a comprehensive assessment both from the perspective of certifying bodies and customers, as well as which realised their own priorities which were aimed at improving the effectiveness and efficiency of management systems and business efficiency.

- Drawing conclusions in the form of recommendations specifically for supplier companies and potential suppliers for the automotive industry and more generally for all organisations wishing to improve their QMS.

In order to realise the aim of the project the following research hypothesis had to be verified: the most relevant methods and techniques used by suppliers in the automotive industry for quality management are the Flowchart, the FMEA analysis and the 8D process.

Two surveys, namely a preparatory survey (S1) and proper survey (S2) were conducted in course of the research. In the proper survey (S2) a questionnaire was used as the research tool. It was given to the general population, which in this case consisted of companies operating in Poland that had certified quality management systems against ISO/TS 16949. Moreover, the direct interest of the author were the methods and techniques used for quality management.

The surveys and analyses that were carried out applied to the automotive industry and above all to the manufacturers of engine-powered vehicles. In practice, these

companies were the 1st and 2nd tier OE/OES suppliers.

Experts representing six well-known companies, suppliers for the automotive industry, participated in the preparatory survey. These experts had to meet a number of specific recruitment criteria. First of all, the main aim of the preparatory survey, which was performed by means of the Delphi method, was to determine which methods and techniques of quality management, out of the wide spectrum of methods and techniques, were really of relevance. Then, based on the results of the preparatory survey a research tool (in the form of a questionnaire form) was compiled in order to conduct the proper survey.

So, in other words, the preparatory survey was a prerequisite of the proper survey. The organisations that were examined held ISO/TS 16949 requirements compliance certificates. The fact that they held such certificates also meant that they cooperated within the framework of OE/OES supply contracts.

4. Identification of methods and techniques of quality management – preparatory research

The preparatory survey was carried out in accordance with the rules of the Delphi method and 7 formal sessions had been realised via e-mail, video and teleconferences (McGeoch et al 2013). The experts analysed the consecutive versions. Initially the versions were related to the specific aims of the survey, defining the category of methods and techniques of quality management, the list of methods and techniques and eventually the questionnaire form.

We should prepare specific survey because each culture has its own value and

methods used by employers and employees within an organizations (Jaafreh and Abegalfatth 2012; Pudjihardo and Nama 2012; Sabarirajan A. and Geethamjali 2011).

As a result of the preparatory survey, the list of methods and techniques of quality management was narrowed down to the Flowchart, the cause-and-effect (Ishikawa) diagram, the Pareto diagram, the ABCD (Suzuki), brainstorming, the QFD method, the FMEA analysis, the Histogram, data collection sheets, SPC control sheets, the 8D process, the 5PPJ, the Layout and the Turtle Diagram. However, the respondents could also add some other methods and techniques of quality management that were used in their companies.

In order to verify the hypothesis and research aims, the following questions were put in the questionnaire form:

- Does your organisation use methods and techniques (M&T) of quality management?
- Would you place the following terms and definitions in the category “methods and techniques of quality management”?
- What are the determinant factors of using M&T for quality management?
- Which of the following M&T are used in your company?
- What is the purpose of M&T used in the company?
- What is the relevance (frequency of use and effectiveness) of using M&T in the company (1 – irrelevant, 5 – very relevant)?
- What are the reasons for limited use of M&T in the Company?
- Are reports on the use of M&T created (without using the methods and techniques)?
- How would you assess your knowledge about M&T? (‘1’ signified very poor

knowledge and ‘5’ very good knowledge)?

The questionnaire also included a column to collect basic personal information about the respondents.

5.Evaluation of relevance of methods and techniques of quality management – proper research

The S2 survey was performed on a group of companies with principal place of business in Poland that held ISO/TS 16949 compliance certificates. The performed survey was complete and exhaustive in nature. Due to the percentage of returned questionnaires (i.e. 23%) and other statistical parameters it was possible to infer about the whole surveyed population. The questionnaire form provided the author with data that were analysed afterwards. Subsequently on the basis the obtained data, statistical inference was conducted so as to verify the hypothesis that was defined in the paper. Conducting the survey with the use of questionnaire form and according to a scenario can be regarded as a statistical observation, a statistical study and a statistical analysis (Ignatczyk 2004).

To conduct the survey a questionnaire form was used which by assumption had been distributed exclusively by electronic means (e-mail) and had been appropriately prepared to make use of the Internet questionnaire (Kaniowska-Sęba et al 2006; Mazurek-Łopacińska 2005; Pocięcha 1996; Macik 2005; Gorodzeisky 2011).

Realising the aims defined in the paper and verifying the formulated hypothesis was in the first place related to evaluating the relevance of previously specified methods and techniques of quality management.

Nearly all respondents declared that they used methods and techniques of quality

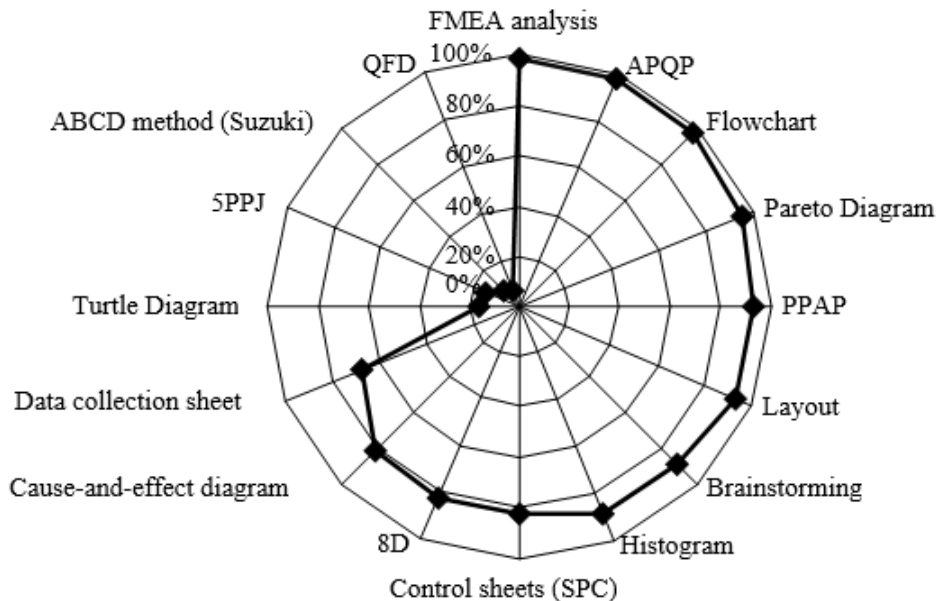
management. It was an answer that could be anticipated as the use of methods and techniques of quality management is specified by ISO/TS 16949 and very often in customer specific requirements.

So the aim, i.e. identifying and selecting methods and techniques used by suppliers in quality management systems, was realised with good results. The respondents indicated which of all of the methods and techniques were used. The following methods and techniques were used by the highest percentage

of respondents (more than 60%): the FMEA, the Flowchart, the Pareto diagram, the Layout, brainstorming, histograms, control sheets, the 8D process, the cause-and-effect (Ishikawa) diagram and data collection sheets.

Concurrently, the Turtle Diagram (fig 1) was far less popular, even despite the fact that in literature it was often presented as a tool frequently used in the automotive industry.

Figure 1. The use of specific methods and techniques of quality management as a percentage

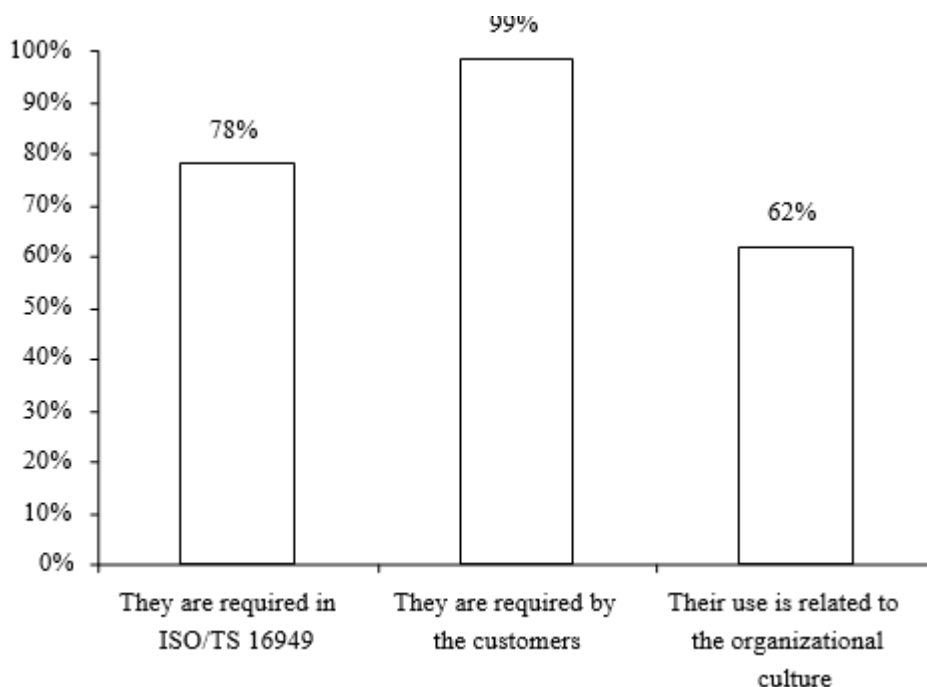


Source: Own study based on the results of the questionnaire survey.

Both the 5PPJ and the QFD shall be recognised as highly specific tools. The first one is required only by a limited number of car manufacturers (8D is far more frequent in use). The second one is highly specific due to the fact that only a small share of companies (respondents) realised activities connected to R&D.

Suppliers in the automotive industry use methods and techniques of quality management primarily because of customer requirements (99%) and ISO/TS 16949 (78%). A significant group of the respondents (62%) consider the organisational culture to be of great importance. For them the use of methods and techniques of quality management is obvious and common (fig. 2).

Figure 2. Main reasons for using methods and techniques of quality management



Source: Own study based on the results of the questionnaire survey.

The classic approach to the classification of methods and techniques of quality management is related to using them for activities taken as part of the PDCA circle. The respondents were asked to match the methods and techniques they used with the following actions:

- defining the problem,
- defining the solutions,
- defining the causes,
- control the effectiveness of implemented actions,
- improving the QMS.

Almost all suppliers use methods and techniques of quality management as far as improving the quality management system is concerned. They are most useful when it comes to the defining problems (80.88%)

and defining their causes (82.35%). The tools which 8 support defining solutions and which are used to control the effectiveness of taken actions are more theoretical in nature (table 3).

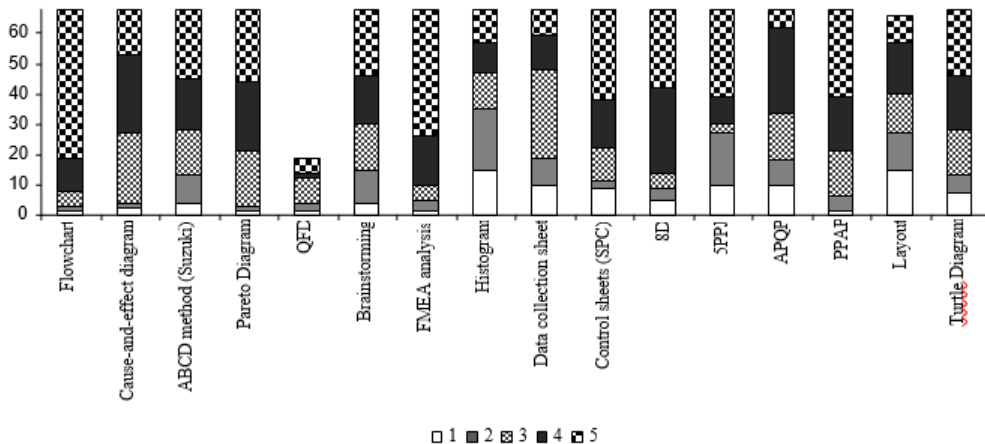
As it was assessed how frequently the selected methods and techniques of quality management were used it was also possible to evaluate their relevance (defined as the resultant of the frequency and effectiveness of their use). The most relevant methods as indicated by the respondents were: the Flowchart, the FMEA method, SPC control sheets as well as multi-stage problem solving methods e.g. 8D, 5PPJ. However, not only the 8D method was considered to be relevant by the respondents, but also the cause-and-effect (Ishikawa) diagram (figure 3).

Table 3. The purpose of using M&T in the company

	Yes		No	
Defining the problem	55	80.88%	13	19.12%
Defining the solutions	42	61.76%	26	38.24%
Defining the causes	56	82.35%	12	17.65%
Controlling the effectiveness of implemented actions	28	41.18%	40	58.82%
Improving the QMS	67	98.53%	1	1.47%

Source: Own study based on the questionnaire survey.

Figure 3. Evaluation of relevance of M&T in companies



Source: Own study based on the questionnaire survey.

The selected statistical population (suppliers certified for ISO/TS 16949 compliance) guaranteed that the methods and techniques of quality management would be frequently used. As it turned out, the motivating factors to use M&T were in each individual case different. In most cases they resulted from necessity, i.e. requirements set by the QMS or customers. It can be certainly assumed that conscious and effective use of methods and techniques of quality management (irrespective of the reasons) is a sign of maturity as far as quality management is concerned.

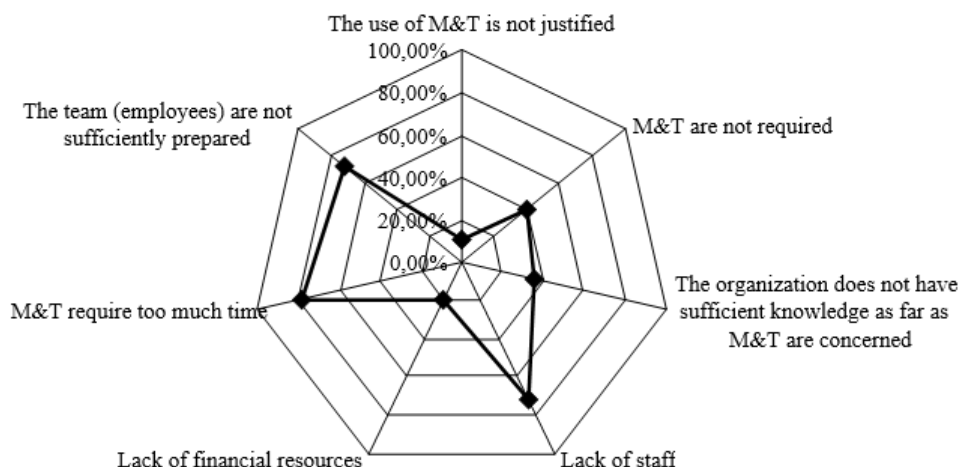
The respondents (60%) admitted, though, that not seldom the requirement of

using appropriate methods and techniques is fictitious, i.e. 8D reports, FMEA reports etc. Were compiled not as the effect of teamwork, one of the stages of problem solving activities, but as a formal task which simply had to be completed.

This is caused by a number of unequivocal factors, such as (figure 4):

- the fact that such actions require much time (77.94%),
- insufficient staff (72.06%),
- and the fact that the employees are not sufficiently prepared to use them (72.06%).

Figure 4. The causes of limited use of M&T in a company as a percentage



Source: Own study based on the questionnaire survey.

It must be pointed out that the respondents did not consider using M&T as unjustified or connected with significant financial expenses. It may be assumed that suppliers in the automotive industry are aware that such methods and techniques can be used effectively. What is more they feel the need to use them and even the lack of requirements related to their use does not contribute to the fact that such M&T are applied less frequently.

The results of self-evaluation concerning the knowledge of respondents (quality managers, quality department managers, proxies for quality) confirmed that limitations in the use of M&T exist (figure 5). Generally, respondents evaluated their own knowledge as quite good (46%). However, there were no randomly selected people in this group. All of them felt the need to educate and develop in that specific area of expertise.

6.Summary

There is a verification of the common theoretical approach regarding the methods

and techniques of quality management in the paper. The research also showed that companies in the automotive industry used in practice only a limited number of the huge number of tools described in literature. In addition to that, the results of the research helped to determine which methods and techniques were the most effective when it came to their use. This was of key relevance as effective methods can considerably support non-compliance monitoring, or taking corrective and preventive actions.

The results of the conducted survey and the conclusions of the author can show actual and potential OEM suppliers (both 1st and 2nd tier) in which direction their strategies for development and improvement of quality management systems should go in order to be effective. When the universal character of methods and techniques used in the surveyed population of companies is taken into consideration, it can be assumed that the results of the survey are also universal for all organisations realising the TQM strategy.

The results of the research confirmed that methods which are also the basis for creating key system documents are the most

relevant ones, i.e. flowcharts and FMEA, and moreover process monitoring tools (SPC) and problem solving methods – above all 8D.

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Case study: proposal on restructuring of sport support in the city of Litoměřice in the favour of grant-oriented support

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Abstract: The case study proposes a new approach to restructuring of sport financing for a municipality with 24 thousand inhabitants. The methodical approach is based on the analysis of financial flows of institutional and non-institutional sport support, analysis of municipal budget, analysis of current sport infrastructure and current grant policy. By using comparative methods with other cities in the Czech Republic, it was discovered that Litoměřice has above average percentage share for the operating financing of sport (2.9 – 11.3 % of the municipal spending), high ratio of institutional subsidies (72 – 97%) and low but increasing share of non-institutional sport support (3 – 28%). Based on the analysis, there is no need to increase financial means for sport, which could have negative budget impacts in the future. Instead, the proposal focuses on rebalancing the institutional support in favour of demand driven non-institutional support - in particular the use of grant policy with the help of program financing.

Key words: institutional support; budgetary implications; municipal sport; grants; municipalities.

JEL Classification: D61, D62, H71, H75, I38.

1.Introduction

The decisive support of sport in the Czech Republic is achieved from public financial means through municipal budgets. According to studies and statistic data [1, 2], 4/5 of the total support is provided by municipalities and 1/5 is represented by direct expenses from the state budget, which is primarily aimed on the support of professional sport and national representation. Municipal financial means aim on the broader support of all sport activities of their citizens, including their active recreation. Municipalities divide the financial flows in sport into two streams – into the premises in their possession (institutional support of sport) and by grants into other subjects (non-institutional sport support). The non-institutional sport support comprises in the Czech Republic approximately 10 – 35%. In the absence of a methodological framework or normative base, municipalities direct their decision by political influences (Hobza et al, 2013; Numerato, 2009).

The framework for financing sport by two basic financial flows (institutional and non-institutional) was initially presented and advocated on the RASM conference in Istanbul 2013 in the section Sport politics. It was further verified on four cities in the Czech Republic, published [5, 6, 7, 8] and practically applied in the city of Litoměřice [9].

Scientific literature discusses the financing of sport by outsourcing public services, however there are different views on their efficiency [10]. The case study further develops research in the application of outsourcing of public services on municipal level [11, 12] and applies the principles of outsourcing in grant policy.

The city of Litoměřice has 24.3 thousand inhabitants and is administratively located in the Ústí region (Ústecký kraj). Sport activities are administered through a contributory organization Městská sportovní zařízení (MSZ i.e. city sport facilities), which was founded by the city of Litoměřice. Subject of their activity is the operation and administration of sport facilities and the provision of sport services. The organization currently manages independent subjects: Kalich arena (ice arena), swimming stadium, outdoor swimming pool and football stadium. Other sports are managed by local clubs.

2.Methods

The proposal of grant support in the form of rebalancing sport subsidies is part of a more comprehensive research study: "Economic analysis of sport financing in the city of Litoměřice", carried out as contract research [9]. This paper only summarizes selected chapters relating to the grant policymaking.

The data for the analysis of actual financial spending were obtained from budget sections of the city, from primary internal sources of city departments ensuring sport development and physical education, from accounting records of sport facilities (MSZ Litoměřice, s.r.o.), from official city web pages and with the help of city hall employees from the department for sport and physical education. The comparison was done with cities: Olomouc, Mladá Boleslav, Český Těšín and Náměšice nad Hanou. The comparison includes cities with categorically different number of inhabitants (from 4 to 100 thousand) which have complete grant documentation and were willing to cooperate for the research.

The methodical approach to analysis of financial flows – sport expenses of municipal budgets – is based on theoretical knowledge of outsourcing [13], outsourcing in public sector and related risks [12] and the efficiency and flexibility of expenditures [14, 15].

The principle of analysis of sport financing lies in the methodology (see 2.1, 2.2) which sorts sport support as “institutional” and “non-institutional” expenses, the later representing outsourced financial services sport support. In line with theoretical findings, the higher proportion of non-institutional sport support should bring higher efficiency in sport spending and their better flexibility.

Based on the comparison of sport spending in various cities (per capita/year), it is possible not only to evaluate the level of financing in a city (total expenses), but it is also possible to define measures leading to higher flexibility and cost-effectiveness of sport spending through the revitalization of grant support.

Institutional and non-institutional support is in the study defined as follows:

2.1. Institutional support of sport

This is the main stream in the development of sports infrastructure and offers stable cash flows (costs of operation, maintenance, renovation and new investments, etc.) directed towards entities owned by municipalities (CIS). Institutional support includes:

- Physical education at schools (set by law).
- Sports facilities (athletic stadiums swimming pools, ice arenas etc.).
- Physical recreation (water parks,

playgrounds, recreation areas, bike paths, etc.).

For this purpose, cities (usually those of more than 20 thousand inhabitants) have established specific organizations (contributory organizations, limited liability companies etc.) that bring together the sports facilities of the city. Physical education in schools in the Czech Republic is funded through the budgets of schools and money invested in the operation of school sports facilities is not currently accounted for separately and is not included in the financial flows of these case studies.

Financial flows in this area are selected from municipal budget in the form of a table, which contains summarized and analytical spending items, for example: total municipal spending, operating expenses and investment expenses for sport premises, investment expenses and operation of Youth home (Domov dětí a mládeže) etc..

2.2. Non - institutional support of sport

Non-institutional support consists of expenditures to support sport (CNO), which are not designated for facilities owned by municipalities and comprises two types of sports funding: expenditures for support through grants (CNOG) and non-grant policy (CNOP):

- Support through grants is characterized by pre-established principles and rules of the grant competition and is designed to effectively provide for current needs, fluctuations in demand and to supplement the offering of specialized sporting events. It may be conceived of separately, or it can be treated

as a follow-up to “complement” existing institutional support for sport and physical education. Grant support is therefore based on the objectives of an established concept for the development of sport and physical education, is not a one-time act,

- Non-grant policy - this is the allocation of funds from municipal budgets without firm criteria at the discretion of the competent decision-making bodies. This is often mistakenly referred to as grant aid and, to a considerable extent, such decisions are based on contentious opinions, beliefs, and political or partisan positions (which are always present). Funding decisions are not made on the basis of parametric methods but rather on the basis of “custom” (automatic support for certain sports and clubs), or on the basis of political considerations.

Financial flows included in non-institutional sport support (in the case study Litoměřice) were selected from the municipal budget in the form of a table, which contains the selected cost items: grants and contributions for sport events, subsidies on sport or sport-related events organized by the city, support for the operation of sport clubs, subsidies for the organization of significant sport events etc.

In accordance with the terminology thus established, the following indices were evaluated:

II (index of institutional support) = $\text{CIS} / (\text{CIS} + \text{CNO})$

INO (index of non-institutional support) = $\text{CNO} / (\text{CIS} + \text{CNO})$

INGP (index of non-grant policy) = CNOP / CNO

The case study, which uses the methods given above, was prepared based on steps as

follows:

- Budget analysis in relation to public finances for sport development
- Analysis of internal development of municipal support of sport in the share of institutional and non-institutional support
- Recommendations on the restructuring plan
- Expansion of grant support based on the results of study on the lifestyle of school aged children (HBSC study) in the city of Litoměřice

3.Results and Discussion

3.1 Budget analysis in relation to public financial means for sport

Table 1 represents total expenses (operating and investing) from the city budget on financing sport. The city has a ratio of sport support from budget between 6.9 – 24.9% of total budget spending (ISP% = 6,9 – 24,9 %). ISP% in compared cities:

- City of Mladá Boleslav: : ISP%: 3.6 – 13.6 %
- City of Olomouc 4.2 – 6.6 %.

The volatility in sport spending between years 2009 – 2014 has deeper roots in one-off investment spending for sport infrastructure. After exclusion of the investment, variance of budget spending of compared cities is lower:

- City of Litoměřice: 2.9 – 11.3 %
- City of Mladá Boleslav: 3.4 – 11.8 %
- City of Olomouc: 3.7 – 3.8 %.

Table 1 indicates that the city of Litoměřice contributes to sport above the average: Mladá Boleslav reached a share of 11.8% only in one year due to financing of a significant international event (World Ski Championship).

Table 1. Share of expenses on sport from the municipal budget (Source: Authors)

(amounts in CZK thousands)	2009	2010	2011	2012	2013	2014
City of Litoměřice – total budget expenses	963 871	763 031	606 058	397 097	414 938	459 823
Total expenses on sport support	240 186	118 712 +208 125	41 712	45 018	46 087	46 104
Operating expenses on sport support	27 948	40 465	40 036	44 381	46 057	45 704
I _{SP} % (of total sport support)	24.9 %	15.6 %	6.9 %	11.3 %	11.1 %	10.0 %
I _{SP} % (of operating sport support)	2.9 %	5.3 %	6.6 %	11.2 %	11.1 %	9.9 %

Legend:

ISP% ... percent share of expenses on sport from the city budget

Per inhabitant rate can also be used for the evaluation of normative expenses level (Table 2):

Table 2. Average values of sport support (excluding investment) in compared cities
(calculated as CZK per inhabitant per year). (Source: Authors)

Indicator (CZK/inhabitant/ year)	Litoměřice	Český Těšín	Olomouc	M l a d á Boleslav	Němčice nad Hanou
Total operating expenses per in- habitant per year	1.635	601	765	2.054	707
Of which: - institutional sup- port (IP) - non-institutional support (NIP)	1.301 (1.366)* 334 (530)*	493 108	610 155	647 1.407	547 160
Of NIP: - grant support - grant policy	334 0	12 96	69 86	1.403 4	52 108

* brackets show the calculated indicator for the final year (2014) of the selected series

Municipalities shown in table 2 show similar ratio of expenses on institutional sport support (excluding investment) per inhabitant, ranging from 493 to 647 CZK, with the exception of city of Litoměřice. This indicator is not only dependent on the political will to resolve sport support by institutional

form but also by the financial viability of budgets. Wealthy cities or cities with high share of income from gambling and lotteries use non-institutional sport support (see Mladá Boleslav -wealthy city; and Litoměřice -income from lotteries and gambling). Other indicated values do not divulge from the range given by other cities.

3.2 Analysis of internal division of municipal sport support in the share of institutional and non-institutional sport support.

Table 3 documents spending on sport in the division on institutional and non-institutional sport support:

Table 3. Shares of institutional and non-institutional sport support on the total sport (II, INO).

(Source: Authors)

Indicator (in CZK thousand and index)	2009	2010	2011	2012	2013	2014
Litoměřice: Total spending on sport and physical education ($C_{IS} + C_{NO}$)	240 186	118 712	41 712	45 018	46 087	46 104
of which: institutional support - I_1 ...share of institutional support on total sport support	233 790 0,97	112 409 0,95	36 212 0,87	33 349 0,74	33 969 0,74	33 224 0,72
of which: non-institutional support - INO... share on non-institutional support on total sport support (index)	6 396 0,03	6 303 0,05	5 500 0,13	11 669 0,26	12 118 0,26	12 880 0,28

Data indicate the following findings:

- the city of Litoměřice relies on institutional sport support, for which it allocated approx. 72 – 97 % of sport support ($II = 0.72 - 0.97$) in years 2009 – 2014 (including PPP projects); with a slowly declining tendency. Non institutional support constitutes approx. 3-28% of total sport support ($INO = 0.03 - 0,28$) and shows strong growth.

3.3 Recommendation on restructuring of sport financing

Goal of the contract research for the city of Litoměřice was to conduct an analysis in sport financing and propose a form and

financial sources for sport support aimed at children and youth.

The recommendation for restructuring of sport financing resulted from analysis of financial flows and the demands of the city council to keep the actual amount of sport financing (stability condition), from the requirements on inhabitants for sport and healthy children and adolescence and as a result of concluded HBSC study. The strategic decision on the support of sport lies in:

- proposals of new grant programs,
- restructuring (rebalance) of financial flows in favor of non-institutional sport support.

Ad a) Following new programs were suggested for grant competition in the co-operation with sport committee, which represent sport clubs, municipal representatives and citizens:

- a1: Sport – sport for talented youth (all kind of sports)

- b1. Sport for health of the youngest children

- b2. Sport and outdoor activities

- b3. Sport and youth health (support of the most popular sports: swimming, soccer, running, skiing, skating, cycling)

- b4. Sport and youth health – new sports

Specific selection of a1 program was made based on the requirements of sport clubs in order to improve support of talented individuals across all sports. The support will be also focused on the final round of national project “Children Olympics” (Olympiáda dětí a mládeže).

Programs in the area of a healthy lifestyle (b1 – b4) are designed in relation to concluded HBSC study in the city of Litoměřice [16], of which programs b1, b2 are focused on improving lifestyle of children up to 4th grade of elementary school. Programs b3, b4 are designed for youth (5th -9th Grade of elementary school).

Ad b) The proposal on restructuring of financial flows in order to finance grant programs is prepared in two variants:

1st variant of sport financing- uses financial sources of MSZ (municipal sport infrastructure), DDM (Youth centre) and contributions from gambling and lottery companies (see figure 1).

Institutional sport support draws in 2014 total 33,224 thousand CZK of which:

- MSZ: 28.794 thousand CZK, of which 500 thousand CZK is allocated for grants in the area Sport for youth health (b3, b4)

- DDM: from amount 3,910 thousand CZK is specifically allocates CZK 150 thousand for proposed grants b1 “Sport for health of the youngest.” The rest will be covered from MSZ sources i.e. CZK 100 thousand for grants “Sport and outdoor activities” (b2),

- it was recommended to further support the development of children playgrounds from the city budget (see HBSC study); in 2014, it was allocated CZK 520 thousand for this field, which represents more than 100% increase compared to previous year.

Non-institutional sport support draws in 2014 total CZK 12,880 thousand, of which:

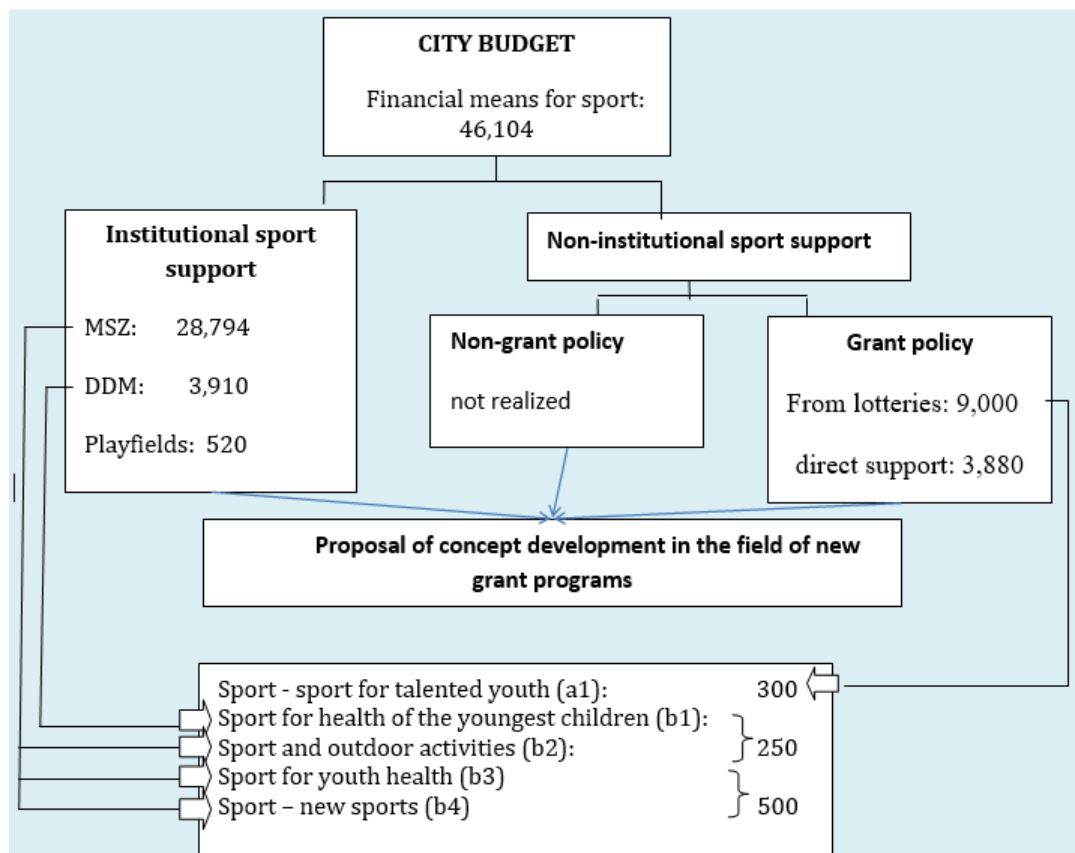
- From lotteries and gambling (CZK 9,000 thousand) of which it is recommended to allocate:

- approx.. CZK 300 thousand for grants “Sport – sport talented youth” (a1),

- the remaining financial means (i.e. CZK 8,700 thousand) will be left for the support of sport clubs, providing that the guidelines for the allocation of subsidies are published (for example covering of operating expenses in full, tender quality, minimum membership, other).

The restructuring of financial flows is in detail displayed in figure 1.

Figure 1. The support of new grant programs in CZK thousand (Source: Authors)



2nd variant of restructuring financial flows:

New programs and grants will be financed in suggested amounts as in 1st variant but only by selecting financial means of non-institutional support from gambling and lotteries. This variant was however rejected by the city council.

4. Conclusion

The paper shows new possibilities of dividing financial flows for sport support into institutional and non-institutional form. Using this as a base, the level of sport support can be compared between cities. The city of

Litoměřice shows above average sport support in the form of institutional sport support, which represents the support of own sport infrastructure. Above all, the study demonstrates the possibilities of stating a normative base for the financing of sport. If a particular municipality shows above average levels of sport support from local budget and intends to further support desirable sport activities of inhabitants, it is possible to make effective decisions in a grant competition; without necessary increase in financing by rebalancing of current financial flows.

New grant programs proposed for the city of Litoměřice do not threat the stability of total financial means for sport, are actual and

focused on well-defined issues (for example: support of sport talents, sport for health, new sports etc.). Their advantage in comparison with institutional form is their extraordinary flexibility and timeliness.

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Integration Of Company's Financial Data In Credit Risk Assessment Using A Multidimensional Model

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Abstract: This paper is a detailed overview from theoretical and practical perspectives of a scoring system used by a financial institution in assessing the credit risk of a corporate client. The objective of this research was to demonstrate the importance of a scoring system for a credit institution when approving a loan application of a potential borrower. The complexity and importance of the topic makes it a subject of high interest for all type of credit institutions.

We believe that through this work we were able to bring into discussion only a part of the specific issues related to credit risk management scoring systems and we believe that this work represents a support for future research.

Key words: credit risk, scoring, multidimensional model, database, application, corporate clients.

JEL Classification: G2 Financial institutions and services

1.Introduction

Lending is a core part of banking operations. The loan portfolio holds 50-80% of the assets of a commercial bank, being its main source of revenue and profit. Therefore, performance and risk in lending activity becomes a key component of the market mechanism.

How risk is a general attribute of investments, the lending activity involves a lot of risks and assuming them becomes inevitable and justifies the existence of banks. Taking into account risks such as credit risk, interest rate variation on market risk, currency risk, country risk etc., a bank needs to develop procedures and processes which mitigate the losses associated with these risks. The most important of all banking risks associated with the lending activity is the credit risk, which is defined as the risk of incurring losses arising from the possibility that a counterparty, borrower or an issuer of a financial obligation (bond, note, lease, installment debt etc.) is not able to repay interest and/or principal or any other amount due on a timely basis (also known as Default Risk) .

Nowadays there are known and applied many credit risk management techniques, from traditional techniques as exposure assessment, to limit excessive concentration on debtor, business sector or industry level, to new management techniques, such as transactions with swaps and options, adapted to this type of risk¹.

But focusing on credit risk management should not be only a compliance exercise for

banks, but also as a way of improving the overall performance and secure a competitive advantage.

2.Banking and credit risk - Theoretical aspects

Credit risk is the primary cause of bank failures.

Credit risk is presented in two main forms: default risk and spread risk. Default risk - the risk that the borrower may not want or may be unable to fulfill its contractual obligations (interest and principal payment) in part or in full. The spread risk - the risk that the market value of the credit to decrease due to changes in credit worthiness. Such situations arise when the counterparty's rating deteriorates significantly as compared to the moment of granting the loan.

Credit risk is calculated based on the potential loss of the loan portfolio, which can be expected and unexpected losses.

Expected losses show the size of losses from lending, which the bank predicts in its loan portfolio on a certain time period. Based on historical data on default probabilities and loss associated to customers classified in certain risk categories, the credit institution can estimate the expected loss of the loan portfolio at a certain moment in time. Expected loss is a cost of lending activity and will be covered by the price of credit (interest, fees) and the degree of provisioning.²

Unexpected loss measures the volatility or the maximum loss of the loan portfolio at a given confidence level (usually between 95% and 99.9%) and a specific time horizon. Unexpected loss will be covered from own resources of the bank. The economic capital of the credit institution must allow covering

¹ Basel II Pillar 3 Disclosure as at December 31, 2009 – UniCredit Group, https://www.unicreditgroup.eu/content/dam/unicreditgroup/documents/en/investors/third-pillar-basel/Basel_II_Disclosure_-_Pillar_III_-_December_31,_2009.pdf, accessed on April 6th, 2015

² Ioan I. Trenca, Annamaria Benyovszki, "Riscul portofoliului de credite bancare", 2011.

the unexpected losses without affecting the financial stability of the institution.³

Credit Risk Management

According to Stephen Kealhofer, "until the 1990s, corporate credit analysis was viewed as an art rather than a science because analysts lacked a way to adequately quantify absolute levels of default risk. In the past decade, however, a revolution in credit-risk measurement has taken place"⁴.

In order to be effective, the credit risk management must begin with gaining a complete understanding of a bank's overall credit risk by viewing risk at the individual, customer and portfolio levels.

Credit assessment process has two dimensions: a quantitative dimension and a qualitative one. The quantitative dimension of credit analysis is based on specific activities such as collecting, processing and interpretation of all information on a debtor a financial institution can access. A bank will use the financial data analysis, forecast of future development of a borrower's activity, repayment capacity assessment through analysis and forecast of future expected flows of revenues and expenses, evaluation debtor's ability to withstand shocks. The results of these activities are relatively easy quantifiable. Qualitative analysis involves gathering and updating information relating to financial responsibility of the debtor, determining the real purpose of the loan, identifying risks the borrower may face and estimating the debtor's seriousness and commitment.

Many forms of credit risk — especially those associated with larger institutional

counterparties — are complicated, unique or are of such a nature that it is worth assessing them in a less formulaic manner.⁵ Even if complex mathematical and econometrical systems are used by the banks in computing credit scoring for clients, the final decision is taken by a person, called credit analyst, which will review the information about the counterparty⁶.

The measurement of credit risk has changed dramatically in the past few years. Among those changes have been the development of early warning systems for default, the evolution of a portfolio approach to credit risk, the development of new models to price risk, and the development of better models to measure the risk of off-balance-sheet loans.

The main activities involved by the credit risk management are the followings:

- a. "Measuring the extent and resources of exposure;
- b. Charging each position a cost of capital appropriate to its risk;
- c. Allocating scarce risk capital to traders and profit centers;
- d. Providing information on the firm's financial integrity to bank's external parties, such as regulators, rating agencies and investors
- e. Evaluating the performance of profit centers in light of the risk taken to achieve profits
- f. Mitigating risks by various means and policies."⁷

⁵ Risk Encyclopedia, "Credit Risk", http://www.riskencyclopedia.com/articles/credit_risk/, accessed on April 8th, 2015

⁶ Ibidem

⁷ Duffie Darrel, Singleton J. Kenneth, "Credit Risk: Pricing, Measurement and Management", Chapter 2

³Idem.

⁴ Stephen Kealhofer, "Quantifying Credit Risk I: Default Prediction", 2003, pg. 1.

According to E.I. Altman and A. Saunders in "Journal of Banking & Finance", "one approach is the univariate accounting based credit-scoring systems, in which the credit institutions' decision-maker compares various key accounting ratios of potential borrowers with industry or group norms. When using multivariate models, the key accounting variables are combined and weighted to produce either a credit risk score or a probability of default measure. If the credit risk score, or probability, attains a value above a critical benchmark, a loan applicant is either rejected or subjected to increased scrutiny."⁸

Models of credit risk

Credit scoring, one of the most successful application of data mining, is traditionally assessed from a binary classification perspective. Classification or regression methods are used to create a system that generates a numerical output (a score) representing the probability of a borrower being a "good" or "bad" (1 or 0 in binary system) credit risk over a given forecast horizon. Good credit risks are those that repay their debt to the terms of the agreement, bad credit risks are those that default or display otherwise undesirable behavior.

Rating is a usual method for assessing the creditworthiness of potential customers. The method consists in assessing a grade of the applicant's attributes, which are then aggregated into an overall score. In accordance with the requirements of Basel III the rating system of a credit institution shall include: comprehensive assessment of borrower's characteristics and of the loan facility

⁸ E.I. Altman, A. Saunders, "Journal of Banking & Finance - Credit Risk Measurement: Developments over the last 20 years", 1997 .

requested, meaningful differentiation of risk and the granularity of the rating scale, reasonable accuracy and consistency over time of the quantitative estimates used for measuring the credit risk.

There are several scoring methods that could meet regulatory requirements, of which the most common are heuristic analysis and statistical models. Heuristic analysis is based on the information structured by the practical experience (expertise, knowledge) of credit analyst in assessing the capacity of loan applicant to reimburse the loan. Statistical models involve finding a functional relationship between a binary dependent variable (default) and a number of independent variables with discriminatory power. Once found, this relation applied to a given borrower allows forecasting his future situation, i.e. if it will be, or not in default at a certain moment in time. The most important approaches to statistical models are linear discriminant analysis, logistic regression, neural networks and survival functions such as "Cox proportional hazards".⁹

3.Application CISS (Credit Institution Scoring System)

Unlike commercial rating systems that are intended to mark the companies in a general sense, the rating systems used by credit institutions intend to evaluate a loan application, with the purpose of predicting the loan probability of default.

Until a few decades ago, the decision to grant or deny a loan was taken by credit analysts from banks based on personal knowledge. Success or failure in such an

⁹ Moinescu Bogdan, Codirlasu Adrian, "Strategii si instrumente de administrare a riscurilor bancare".

action would depend on how well the creditor known the potential customer and how much trust had in it. However, with time, the bad experiences of banks failures, along with the regulatory pressure from authorities, forced banks to extend this practice to a less personal appreciation, but still a subjective one.

Nowadays, banks besides the financial analysis prepared on the basis of the latest financial statements of the client, will also be interested to obtain as much information as possible from authorized sources about the loan applicant's management and marketing activity.

The most important objective of credit risk measurement analysis is to gain knowledge from past periods about the client in order to be able to accurately forecast its development and future performance.

Scoring systems vary from one bank to another and their complexity depends on one hand on the dimension of the credit institution and on the other hand on the risk profile and credit risk management approach it undertakes.

The IT system designed is named **CISS** (Credit Institution Scoring System) and it fulfills some of the features of a credit scoring system used by financial institutions when rating loan applicants. It is intended to support credit decision and grow profitability. Use of this system will increase the speed and quality of lending decisions, with direct impact in the financial service quality and cost of credit.

We developed **CISS** as a web application using HTML + MySQL + PHP solutions due their advantages, such as:

- friendly interface and easy integration of the database in the web application;

- application security;
- gratuity of the products;
- the possibility to create a well-structured application, easy to develop and maintain;
- the possibility to optimize the databases.

Due to its characteristics, the support provided by PHP language interacting with a MySQL database server offer a rapid solution for creating dynamic Web sites.

To obtain dynamic pages with rich content, a valid solution is the use of databases. The information will be extracted from the database according to specific user needs and then formatted in order to be properly displayed. Also, a web application allows the user to insert relevant information in the database, which is stored on a server.

Among the most important features of **CISS** system are the followings:

- fast and reliable processing of large volumes of data;
- friendly interface;
- easy access of menus;
- preconfigured reports which give a good image about the borrower's past performance;
- system responds to credit institution's needs in terms of qualitative lending decisions.

The **CISS** system was developed in order to assess loan applications based on a combined score obtained from the followings:

- a quantitative score (a number from 0 to 100) with a weight of 50% in the final combined score;
- a qualitative score (a number from 0 to 70) with a weight of 30% in the final combined score;
- a Loan-To-Value score (a number from 0 to 100) with a weight of 20% in the final combined score.

Thus, the combined score of a loan applicant will be a number between 0 and 91, with the average being a score of 46.

A loan applicant obtaining less than 45 present high credit risk and the credit institution will refuse its credit application. A loan applicant obtaining a combined score between 46 and 75 still present important credit risk and loan officer should request additional collateral (i.e. increase its Loan-To-Value) and, if the borrower will be have the possibility to fulfill these new conditions, the assessment should be reperformed. A loan applicant obtaining a score above 76 should not be considered risky and the lending will be approved.

Financial scoring

The financial scoring will be computed based on the financial performance determined by computing a set of financial indicators with the data extracted from borrower's financial statements. Based on these financial statements, the credit analyst performs a ratio analysis for determining overall financial condition of a customer's business. Generally, financial ratios are calculated for the purpose of evaluating aspects of a company's operations and fall into the following categories:

- liquidity ratios gives a measure of the firm's ability to respect its current obligations: Working Capital Ratio, Quick Ratio;

- profitability ratios indicates management's ability to have a control over the company's expenses and to earn a return on the resources committed to the business: Return On Sales, Return on Assets, Gross Profit Margin;

- leverage ratios indicates how well are protected the suppliers of long-term funds

and also if the firm is able to raise and pay on time additional debt: Total Debt to Assets, Capitalization Ratio, Debt to Equity Ratio, Interest Coverage Ratio, Long Term Debt to Working Capital;

- efficiency, activity or turnover ratios measure the management's ability to control expenses: Cash Turnover, Receivables Turnover in sales days, Inventory turnover, Payables Turnover (days).

These financial indicators will be computed based on the latest annual financial statements of the loan applicant or, in some cases, even bi-annually or quarterly approved financial statements.

Based on the historical data collected and general market trends, the credit institution will set some scoring intervals for the financial indicators computed. The CISS system will determine the assigned score of each indicator in order to compute the aggregated financial score.

The scoring intervals for each financial ratio are determined considering the industry's good practice, for example a working capital ratio below 1 indicates a negative working capital and could indicate short term liquidity problems, while a ratio above 2 means that the company is not investing excess assets or a interest coverage ratio of 1.5 or lower indicates that a company's ability to meet interest expenses may be questionable, while a ratio less than 1 may indicate that the company is not generating sufficient revenues to satisfy its interest expenses.

Qualitative scoring

The credit institution also focuses on some qualitative criteria, related to the management competence, the attitude of the

debtor toward bank, the quality of planning and controlling, the state-of-art of equipment and the market position of the company.

The qualitative factors considered in CISS are:

- Management's education or experience or competence or intuition, assessed by the credit analyst from valid sources;
- Information policy towards bank: company's willingness to provide information to the credit institution regarding its past, current and future activity;
- Accounting / Planning: relevant information for the credit institution regarding the accounting and planning activity of the potential borrower will be the use of forecasts in order to manage the company.
- Quality of Planning / Controlling: how well the management forecasts were achieved.
- State-of-the-art equipment: how modern and how well are maintained the equipment used by the company in order to produce the goods or services.
- Market development: the future development of the market on which the company performs its activity, especially information regarding the market development of the debtors significantly in comparison with the general market development / GDP increase.
- Market position: recognition / brand reputation as a result of marketing efforts, potential development opportunities, possibility to extend and diversify, the company's market reputation.

Collateral Scoring

Loan-To-Value (LTV) represents the ratio between the mortgage value and the loan

amount requested by a potential borrower. The credit analyst will be interested in the Loan-To-Value ratio, considering that, in case of a default, the lender will have a better chance of selling the mortgage in foreclosure for at least as much as they are owed.

Application use

The web application CISS has 3 main functionalities:

1. **Borrowers:** module in which the credit analyst can insert a new potential customer or update the information of an existing borrower. Main information to be included relates to: client name, tax identification number, NACE code, size, group, initial loan value in RON, loan current exposure in RON.

2. **Scoring:** module in which the credit analyst introduces the financial and qualitative information for a borrower and the system automatically computes the scoring. The credit analyst will introduce based on the latest financial statements of the borrower the main financial statements lines (e.g. fixed assets, inventories, receivables etc.) and will assess based on the information gathered from valid sources the qualitative characteristics above-mentioned. The collateral pledged in favor of the bank, including its type, its description and the market value assessed by an independent valuator will also be inputted in this module.

After pressing the "Compute scoring" button, the system will automatically compute the financial, qualitative, collateral and combined final scoring.

If the final combined score is above 76, the credit risk is assessed as low and the lending should be approved (as shown in Figure 1).

Figure 1 – Low credit risk

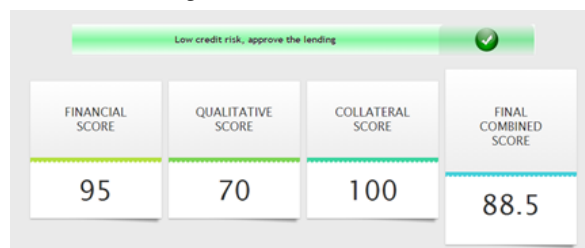
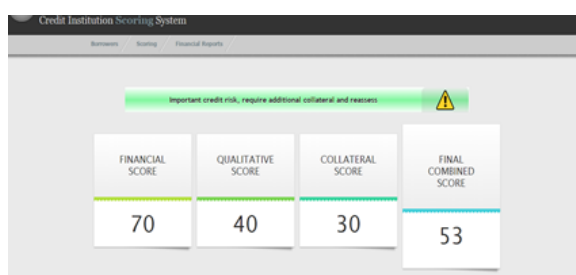
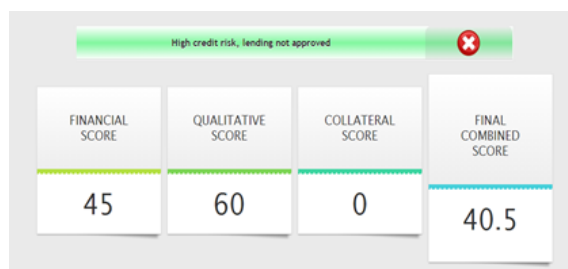


Figure 2 – Medium credit risk



If the final combined score is between 46 and 75, the credit risk is assessed as significant and the credit analyst should require additional collateral from the borrower and reperform the analysis (as shown in Figure 2).

Figure 3 – High credit risk



If the final combined score is below 45, the financial condition of the borrower is weak and approving the loan will significantly bring an important credit risk to the financial institution, so it shouldn't be approved (as shown in Figure 3)

3. Financial Reports: module in which the credit analyst can observe the variation of the main financial statements lines from one period to another. The user will select the borrower and the period under analysis and the

system will display a report which compares and compute variations on the main financial statements lines, as shown in Figure 4:

Figure 4 – Report on evolution of main financial statements lines

FSDate	2012-12-31 00:00:00	2013-12-31 00:00:00	Variation %	
FixedAssets	116228	96414	-17.05%	→
Inventories	36691	44392	20.99%	↑
Receivables	119479	126192	5.62%	→
OtherAssets	6103	8340	36.65%	↑
LiquidAssets	921	10592	1050.05%	↑
OwnersEquity	28271	35548	25.74%	↑
LongTermDebt	38715	20974	-45.82%	↓
ShortTermDebt	81632	91775	12.43%	→
AccountsPayable	100811	99166	-1.63%	→
OtherPayables	40544	38465	-5.13%	→
Revenues	517385	560018	8.24%	→
CostOfSales	252445	304419	20.59%	↑
OtherIncomes	11347	6944	-38.8%	↓

Description of database

The CISS application benefit from a MySQL database model containing all the needed logical and physical design choices and physical storage parameters.

The main tables in the database are:

CLIENTS (**ClientID**, ClientName, TaxIdentificationNumber, NACECode, ClientSinceDate, ClientSize, ClientGroup, LoanInitialValueRON, LoanCurrentExposureRON)

FINANCIAL STATEMENTS (**FinancialStatementsID**, ClientID, FSDate, FSType, FixedAssets, Inventories, Receivables, OtherAssets, LiquidAssets, OwnersEquity, LongTermDebt, ShortTermDebt, AccountsPayables, OtherPayables,

Revenues, CostofSales, OtherIncome, Depreciation/AmortizationExpense, Taxandsimilarchargesexpense, Interestexpense, Otherexpenses, CITexpense)

FINANCIAL INDICATORS

(**FinancialIndicatorID**, FinancialIndicatorName)

QUALITATIVE INDICATORS

(**QualitativeIndicatorID**, QualitativeIndicatorName)

COLLATERALS (**CollateralID**, CollateralType, CollateralDescription, CollateralMarketValueRON, ClientID, LoanToValue)

CLIENTS FINANCIAL STATEMENTS INDICATORS (**FinID**, FinancialStatementsID, FinancialIndicatorID, FinValue)

CLIENTS QUALITATIVE
INDICATORS (**QindicatorID**,
FinancialStatementsID,
QualitativeIndicatorID, Qvalue)

FINANCIAL INDICATORS SCORING
(**FinScoringID**, FinancialIndicatorID,
MinValue, MaxValue, Score, FlagColor)

QUALITATIVE INDICATORS
SCORING (**QScoringID**,
QualitativeIndicatorID, QualitativeIndValue,
Qscore, QualityColor)

COLLATERAL SCORING
(**ColScoringID**, LTVMin, LTVMax, ColScore,
CollateralID)

CLIENT HISTORY (**HistoryID**,
FinancialStatementsID, QualitativeScore,
FinancialScore, LTVScore, CombinedScore)

SCORING INTERVALS
(**ScoringIntervalID**, MinScoring,
MaxScoring, Status, HistoryID)

Conclusion and future research

This research is a proof of concept consisting of a web application named CISS (Credit Institution Scoring System). It was intended to fulfill some of the features of a credit scoring system used by banks or other credit institutions when rating the loan applications of corporate clients. The application was developed using HTML + MySQL + PHP solutions. The final output of CISS system is a combined score obtained as an aggregate of quantitative, qualitative and collateral scores.

In order to meet all the characteristics of a scoring system used in day-to-day activities by any bank or other financial institution, the system should be further developed in order to assist the analysis of private individual clients.

A private person requesting a loan from a financial institution is analyzed based on different indicators than a corporate client. For a private individual, are essential both financial and qualitative information.

A scoring system for private individuals will incorporate information such as:

- age of the potential borrower;
- education;
- work experience and current profession;
- employer's industry;
- available income amount and income source;
- indebtedness ratio;
- gender and marital status, etc.

Also, a complex scoring system like the ones used by large international banks are based on logistic regressions which are developed in order to have predictive power and differentiate between good and bad customers.

It is my intention to further develop the web application in order to meet all the characteristics of a scoring system used by large banks.

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The Bata Management System: An Introduction

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Abstract: *The making of footwear, one of the most ancient crafts, has a long history. The manufacturing of shoes represented a handicraft activity until the mid-nineteen century. In the late 1800s and the beginning of the 1900s, the footwear industry adopted the factory system and became increasingly mechanized. One of the most important footwear companies has been the Bata Company. Its economic success was based on the well-known Bata Management System that constituted the subject of a wide range of discussions and debates in the business literature. The aim of our paper is to render in brief the BMS. The methodological approach is literature review. Our paper has shown that BMS represents an effective and efficient management system that includes solid business principles.*

Key words: Bata, management system, footwear industry, company, business

JEL Classification: M1

1. Introduction

The making of footwear, one of the most ancient crafts, has a history of thousands of years. The manufacturing of shoes represented a handicraft activity until the mid-nineteen century, but in the 1750s the first so-called "assembly line" shoe-making was already established in Lynn, Massachusetts, where each shoemaker was "specialized in one task in production process" (Baudisch, 2006, p. 11). In the late 1800s and the beginning of the 1900s, the footwear industry adopted the factory system and became increasingly mechanized. Therefore, the making of footwear evolved into "a major mass production and distribution industry" (Moffett, 1941, p. 29) worldwide.

As mechanization progressed rapidly, footwear companies grew in size. One of the most important has been the Bata Company. Its economic success was based on the well-known Bata Management System (BMS) that constituted the subject of a wide range of discussions and debates in the business literature (Tomašík, Hart and Strohmandl, 2014; Blahová, 2012; Mládková, 2010; Zelený, 2010; International Labour Office (ILO), 1930).

The aim of our paper is to render in brief the BMS. The methodological approach is literature review. Our paper is divided in three main sections. The next section deals with a short history of the Bata Company. The main features of the BMS are presented in the third section of the paper. The paper ends with conclusions.

2. The Bata Company: a short history

Tomáš Bata, a Czech entrepreneur, was born on the 3rd April 1876 in Zlín, Moravia.

The founder of the Bata Company showed a passion for shoemaking from his early childhood. He used to help his father, a venturesome shoemaker, and even produced by himself shoes for puppets. At the age of 14, his father appointed him the man in charge for all sales. He also sent Tomáš to other surrounding workshops to find out what type of machineries were used.

As his father refused to implement new technologies and to modernize the production process, Tomáš decided to start his own business with his two siblings, Anna and Antonín. They founded and registered T.&A. Bata Shoe Company on the 24th August 1894 in a rented house of Zlín. In spite of the lack of money, they were very enthusiastic and confident in the future of their future. Tomáš assumed leadership of the new company in 1895.

At the end of the XIXth century and the beginning of the XXth century, the Bata Company was among the first shoe manufacturers of the world. In less than ten years after its establishment, by using skilled workers and modern equipment combined with innovation, the company produced around 2,200 pairs of shoes daily. In 1904 and 1913, Tomáš visited the United States of America (USA) in order to study and understand the American system of mass production (Kudzběl, 2006). Influenced by F. W. Taylor and H. Ford, he decided to produce cheap shoes in large quantities for all people (Košíková, 2010).

Despite the difficult conditions of the First World War such as material and manpower shortages, the Bata's production rose up to about two million pairs per year by 1917. Until the war, the production and export of shoes around the world were

dominated by the most developed countries (e.g., United Kingdom, USA, Switzerland) due to their much greater productivity, which was a logical consequence of their managerial and technological advances. However, less developed countries (e.g., France, Spain, the Austro-Hungarian Empire) also succeeded to export shoes especially based on low labor costs. In the war period, the international footwear market suffered substantial changes because the military conflict highly stimulated the demand.

After the First World War, "the footwear industry was vigorously confronted with revolutionary changes and processes similar to those connected with Henry Ford in the automobile industry" (Ševeček and Jemelka, 2013, p. 15). A mechanized industry gradually replaced the manual production of footwear all over the world. In the mid 1920s, the world's biggest exporters were United Kingdom, USA, Germany and Czechoslovakia. In the early 1930s, Czechoslovakia became the world leader exporter in the international footwear market (Schnitzer, 1937). How could a small European country be so successful in a relatively short period of time? It was a simple explanation: the first half of the past century witnessed the transformation of the Bata Company into a big and modern business enterprise. In 1923, Bata "already had 1,800 workers and a daily production capacity of 8,000 pairs; eight years later the workforce was almost 20,000 and the production capacity exceeded 130,000 pairs per day" (Miranda, 2009, p. 9).

In the 1930s, the company started to expand overseas and had established itself as "a major international shoe firm with distribution and production units located in several different continents" (Swainson,

1978, p. 1). Thus, Bata created new companies in France, Austria, Romania, Sweden, Switzerland, Egypt, Belgium, Finland, Luxembourg, Hungary, Italy, Indonesia, Singapore and India. On the other hand, starting from Tomáš Bata's belief that business should serve the public, the company proved to be a socially responsible business organization (Šmida, Hrdinová and Sakaál, 2012). By building housing, schools and hospitals around the factory in its accelerated expansion phase, the company made Zlín an industrial town. The Bata School of Work and Management provided rigorous education and practical training for its employees. Also, Tomáš offered his employees the possibility to participate to profit sharing since 1923. Unfortunately, he died in a plane accident on 12th July 1932. Jan Bata, his uncle, replaced Tomáš as the head of the company.

The World War II abruptly interrupted the increase of footwear exports, especially from Europe. The 1950s attested the recovery of the global footwear industry. However, hard times came for Bata family as Communist governments from Eastern and Central Europe nationalized the company. T. J. Bata, the founder's son, decided to move to Canada where he set up the Bata Shoe Company of Canada. In the late 1980s, Bata Company became "the largest manufacturer and retailer of footwear in the world" (Bowal and Macleod, 2012, p. 47). Today, Bata remains one of the leading global companies in the footwear industry and sells its products in more than 70 countries.

3. The Bata Management System

Tomáš Bata succeeded not only in establishing a prosperous company, but also

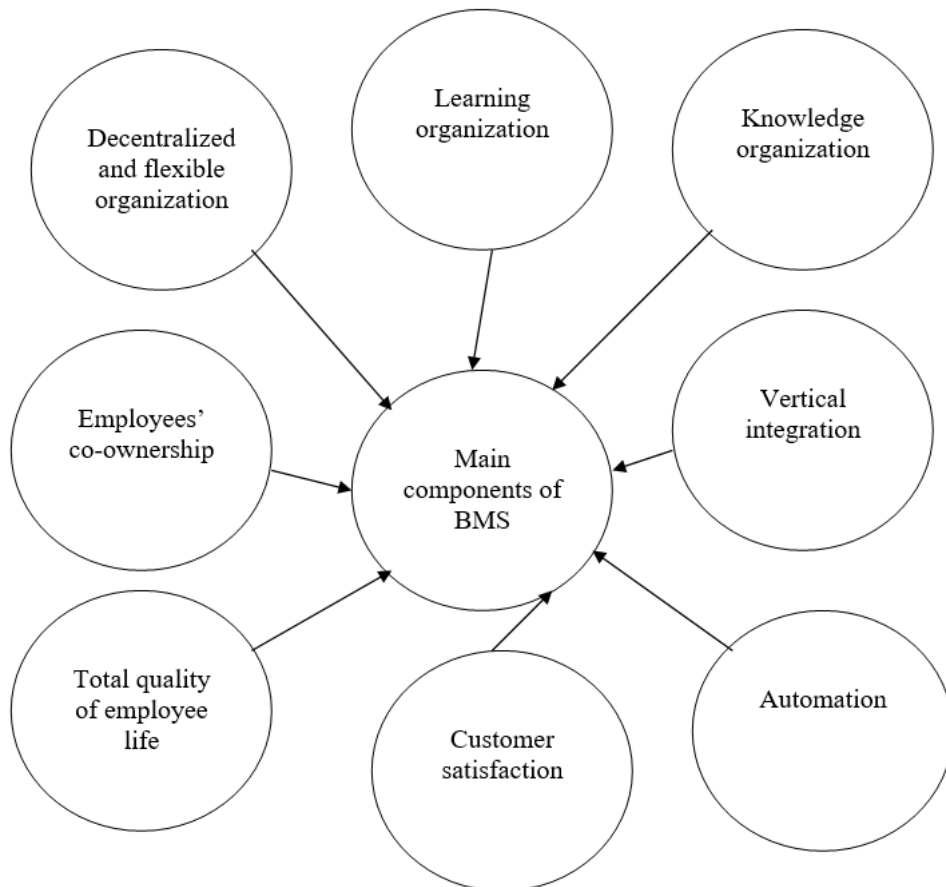
in creating, implementing and developing a viable management system within the business world. In the first half of the past century, the footwear industry was characterized by:

- the spread of machineries that had revolutionized the handcrafts tradition;
- the standardization of tools and working methods;
- the rationalization of production process (Tomašík, Hart and Strohmandl, 2014);

- the complex organization of the industry.

The BMS was based on “direct management executed by the owner of the company who decided on both important and small problems and officially did not delegate” (Mládková, 2010, p. 175) and integrated several main components (Zelený, 1988) into a whole functional system (Scheme 1).

Scheme 1. The main components of BMS



These main components provided the framework that enabled Bata to build and implement a his management system. The BMS encompassed ten leading principles (Table 1).

Table 1. The ten leading principles of Bata Company

No.	Dimension	Realization
1.	World class	Global benchmarking
2.	Cooperation	Partnerships and alliances
3.	Self-government	Private corporation
4.	Participation	Profit sharing
5.	Co-ownership	Employee capitalization
6.	Self-management	Shop autonomy, internal markets
7.	Co-entrepreneurship	Customer, internal and external
8.	Competition	Internal benchmarking
9.	Service to the public	Purpose of business
10.	Synergy	Balanced system of all dimensions

Source: Zelený, 2010, p. 107

Without any doubt, Bata put at the core of his management system the concept of efficiency (ILO, 1930), but he never forgot that his aim was to serve the society within the company operated (Žižlavská, 2010). In fact, all the above mentioned ten principles emphasized that the Bata Company constituted a living organization that was able to learn, adapt and change when the internal and external environment required.

In essence, the BMS comprised sound principles of business. It proved to be a highly competitive management system that allowed Bata Company to dominate the global footwear industry.

Conclusions

Since its foundation, the Bata Company has demonstrated a remarkable capacity to face the numerous challenges within the global business environment. The key factor of its success was its management system, created by the founder of the company.

In the last decade, the BMS has become an increasing debated topic in the business literature. Our paper has shown that BMS represents an effective and efficient management system that includes solid business principles.

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A new corporate governance

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Abstract: *The issue of corporate governance has become increasingly important as globalisation has begun to accelerate and the economic and financial turmoil have intensified. Post-crisis context has imposed the need to expand the prospects for analysis over governance and companies, as well as the need to identify new ways of administration and resource management. From this perspective, the author aims to highlight the conditions, factors and events that have generated profound changes within the business environment, while the analysis is focusing on contemporary changes in the systems of corporate governance and economic mutations, especially in terms of the companies.*

The establishment of new governance rules is demanding a theoretical approach based on new methodological requirements which are needed to reform theoretical foundations and to promote creative and effective shapes and governance systems.

Key words: shareholder governance, governance failures, institutional investors, financialization.

1.A new context

The debates dedicated to corporate governance after the 80s, which dominated business world and many theoretical fields, were dedicated to the relations between shareholders, on the one hand, and the heads of companies, on the other hand, being largely centred on the issue of control of the heads of companies by the minority shareholders. This new paradigm that prioritized the methods and mechanisms of practical action, has influenced the relationship between growth, profitability and financial structures, as well as models for the production of wealth, revenue sharing, financing the economic growth and the management methods.

Corporate governance is presented as a management and control system and indicates the priority given to methods and mechanisms of transforming the action of companies, as well as methods to adapt management. The central aim is represented by the more efficient management of the shareholders-investors' interests so as to ensure maximization of their profits. In this view, only the interests of shareholders seem to be taken into consideration.

In an economic system where companies with dispersed ownership used to occupy an important place and where institutional investors, particularly pension funds, played an important essential role, the main aim was a stricter enclosing of the heads of companies power so they do not wear their prerogatives detrimental to the investors' interests. The heads of companies' action was essential and they were omnipotent within the organizations that held power and also benefitted from all information so that to represent the best interests of investors. A veritable touchstone of companies' regime was

represented by the relationship between the heads of companies and shareholders, namely the holders of other interests within large companies, mostly held in listed companies.

The Anglo-Saxon doctrine of corporate governance had to be "acclimated" to the continental specificities, thus exceeding the mere transposition of prescriptions born in a profoundly different economic and legal environment and favouring the enthroning of an optimal system, by reference to certain values and objectives. (Thiriou N., 2007, p. 141).

Contemporary debates on the governance of the companies have highlighted the complex and multidimensional character, its interdisciplinary nature, as well as the difficulty of the analysis from the perspective of a conceptual system, mechanisms and instruments specific to a single disciplinary area. Consequently it was felt the need for the intake of some connected and related scientific fields (the corporate law, finance, ethics and responsibility in business, etc.).

The multitude of financial and economic, legal and ethical-moral precepts and laws expresses the preferences of various authors for one category or another. The multiple approaching perspectives, the theoretical-methodological debates and controversies specific to the economic and finance science enhance the difficulties of the reform endeavour of the companies' governance and their adaptation to the new modalities imposed by the post-crisis situation.

Comparable assessments and approaches have distinguish the persistence of multiple and distinct forms, as well as the vulnerabilities and dynamism of corporate governance systems, complied with a complex process and interrelated by changes aiming to bring

new codes of best practice for companies. (G. Morgan, R. Whitley, E. Moen 2005, p.80).

Business systems have permanently been subject to variation in time and space (between economies) and they reflect the complexity of the process of corporate decision making. Specific factors and conditions marked the persistence of distinct systems of coordination and control in developed market economies. The characteristics of the national business systems are determined by the stages, transitions and various versions of the capitalism, by the ideological and intellectual context, by the features of the economic systems, the development of the property and power relations, the concepts of management, and others. Models of capitalism coexist with divergent models of governance companies.

The new developments in the world economy, globalization and financialisation of the economy, the virulence of the economic and financial crises have imposed further clarification on corporate governance, management, organization and control over company management. The comments and analyses aimed primarily to the diversification of the forms of expressing the governance, the new management methods and also the modification of the objectives as a result of the repositioning of the actors involves. A distinct remark aims at the issue of the "historical" role of finance within the contemporary capitalism, namely its role in the new growth regime established in the 90s. The emergence of the finance-driven economy and finance-driven capitalism imposes the objective of creating shareholder value detrimental to the group of actors involved in the activity of the companies.

Financialisation and corporate governance concepts refer to phenomena that

occur inside companies, directly related to the new shareholders represented by institutional investors. Financialisation creates a new image of capitalism where financial markets have become privileged places of action and the expression of the shareholders relation. The new actors of the financialised capitalism have the ability to participate in the construction of the companies' strategy.

Growth trajectories of large enterprises were affected by the economic environment changes. Focusing on contemporary changes in corporate governance systems and the analysis of the economic changes, especially in terms of companies, become priority axis for sustainable development and economic performance. A good corporate governance is important not only for an individual company, but for the whole economy, becoming an important factor for economic growth.

2.A new compromise

The issue of corporate governance has become increasingly important following the current global crisis, which imposed new perspectives and requirements on the operation of companies, in the top of the agenda being the economic growth and profit, as well as a new form of management to ensure a more efficient use of resources. The debate regarding the governance reform aims at both academia and the business world and includes both the requirements and criteria that should govern this process, as well as the identification of the areas and directions for action.

The important elements of reflection, which are susceptible of offering tracks for improving the governance system refer to the following: the government can and should

play an important role in ensuring the welfare of companies. The profoundly composed governance should ensure sustainability of companies, which represent the central players of capitalism and the process of economic and social changes; the development of governance reform in the context of debates regarding the economic performance. The improvement of the governance system is part of the strategy to increase the overall performance of the companies. The effects of renovation the governance refers not only to companies, but also to the economy as a whole; the congruence of the governance model with the capitalism type. The reform of the framework of the corporate governance unfolds within the context of shaping the capitalist system; the flexible nature of the practices, rules and governance mechanisms, to respond to the requirements of the new realities which are continuously changing; the amplification of the difficulties in achieving the governance reform, held amid the global crisis, the complexity of the process, which involves both approaches to reform theoretical and ideological and legal and institutional foundations and the practices and rules used.

To a great extent, the comments regarding the new governance refer to the directions and measures which ensure the accomplishment of such desiderate.

3. Conclusions

Reconsidering the governance framework is manifested within the context of the third major crises and capitalism, the crisis of liberalism, as well as the invalidation of its theoretical and ideological foundations. The current global financial and economic crisis has revealed the excesses and failures of


shareholders governance and has placed its issue in the middle of the debate.

The hegemony of finances has led to the crisis in the centre of which lay the financialised capitalisms. Together with this, the era of financial stabilization has set. The return of depression on economics, emphasizing the instability and vulnerability of corporate governance highlighted the need for a new unified theory of the economics of the crisis and a new insight and perspectives on such. A new conception of the nature and role of generalized crisis offers opportunities for reassessing the financialised capitalism to identify new creative and effective forms of governance and for another finance subject to the way of durable development.

The force of arguments which support the idea that new forms of governance must be invented in line with the reformed model of capitalism that will follow increases. A long and uncertain period of reconfiguration of capitalism is opened, and capitalism is being transformed by the finance and design of a legitimate and credible governance, whose quality and efficiency is important for sustainable development not only for each company, but for the whole economy.

Recreating new forms of governance and capitalism claim new ways of thinking, the disembarassment from the existent doctrinaire blockage, the rethinking of the theoretical framework which imposed harmful visions and ideologies, which represented real obstacles in the way of economic performance and prosperity. A new governance implies a new great transformation to allow not only the reconfiguration of exit strategies from the crisis, but also the identification of new directions of economic and social development.

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The Intellectual Capital And The New Career Management In Public Institutions From Defence Field

~ Ph. D. Student **Daniel Gogoescu** (University of Craiova, Romania)

Abstract: In public institution the development of the concept of intellectual capital (understand simultaneously as human, structural and relational capital) mean the rise of the organisation`s competitiveness and the beget of structural capital (potential subsequently invested to achieve knowledge), respective the power building-up in efficient action – meaning the consolidation and development of success obtained in competition. The term of intellectual capital add up a sum of values, knowledges, abilities and habitudes of the employees, and also those cumulated on organisational level within what we call organisational culture, the final goal of its evolution being to obtain the optimal managerial efficiency. So, the individual is the main component (as human capital) of the organisational intellectual capital, being the source of his performance and the performance of the organisation where he is part of. It is easy and logic, from a certain perspective, to understand the purpose of an individual to create added value to his capacity and capabilities (the human capital is not the sum of individuals, but the sum the individuals intelligence`s interactions in the creation process), but we always put the question of what is the adequate measure for an individual of what he wish and need to invest in this intelligence and knowledge. There is no performance where there is no intellectual capital and where is no investment in human capital, the process being, generally speak-

ing, an Archimedean convolution: the human capital generates intellectual capital which, also brings added value to knowledge and, implicitly, develops continuously the human capital. The adequate exploitation of intellectual capital, obtained through the adequate exploitation of intellectual potential, of the individual and collective capabilities, capacities and performances ale the human potential mean to rich the maximum efficiency of institution. Repetitively application of an adequate management of individual career – materialized through a superior management of intellectual capital – will represent, in the end, an intelligent, creative and performant management of institutions/organisations.

Key words: Labour training, firm employment decision, promotion, general personnel economics, intellectual capital, system improvement, synergy, manager training, continue formation knowledge management, human capital, occupational choice skills, professional labour markets, occupational licensing

JEL Classification: M50, M51, M53, M54, J24, J44

Introduction

Generally, the culture is the support of human civilisation, the values, habits and traditions ții, accumulation, behavioural structures, beliefs and thinking structures being essential conditions of human existence. The culture has numerous components, each human activity having its own values systems, tradition and customs heritage which, in the end, assures its development. So, any new special/particular culture will signify accumulation of specific values to a certain field of activity of the organisation. Sometimes, the competences, habits and abilities supplied by the knowledge accumulation education is not consonant with those generated by the competence formation education, in institution with a certain specific (such those from defence field), the share of the specific abilities in this formation process being bigger than those offered by the general education. So, it appear the paradox that the culture of certain field seems to be useless in regard to the effects of efficient action, generating cleavages between what it means job knowledges and the amassed intelligence capital, which means that we can find an

excessive pragmatism of the education, materialised in its beneficiaries culture's lost. To assure a balance between education, labour market requests and necessity of durable formation of an individual's personality is a global problem, mainly because, in reality, the mechanisms of expendable society aspire to approach the individual as capital goods and less as intelligent and creative, possible beneficiary of the institution.

In public institutions the development of the intellectual capital concept (simultaneously apprehended as human, structural and relational capital) can and must generate the rise of organisation's competitiveness, materialised in birth of structural capital (further invested to achieve knowledge) and, implicitly, in consolidation and development of its success. The term of intellectual capital add up a sum of values, knowledge, abilities and habitudes of the employees, and also those cumulated on organisational level within what we call organisational culture, the final goal of its evolution being to obtain the optimal managerial efficiency. So, the individual is the main component (as human capital) of the organisational intellectual capital, being the source of his performance and the

performance of the organisation where he is part of. It is easy and logic, from a certain perspective, to understand the purpose of an individual to create added value to his capacity and capabilities (the human capital is not the sum of individuals, but the sum the individuals intelligence's interactions in the creation process), but we always put the question of what is the adequate measure for an individual of what he wish and need to invest in this intelligence and knowledge. There is no performance where there is no intellectual capital and where is no investment in human capital, the process being, generally speaking, an Archimedean convolution: the human capital generates intellectual capital which, also brings added value to knowledge and, implicitly, develops continuously the human capital in a self-development process. The adequate exploitation of intellectual capital, obtained through the adequate exploitation of intellectual potential, of the individual and collective capabilities, capacities and performances ale the human potential mean to rich the maximum efficiency of institution. No matter what is the structure, name and activity's profile of an organization/institution, we will always find some common elements such: existence of individuals group among who there are inter-dependency relations and common final goal; the individuals must cooperate and coordinate their different activities within the organizational structure; the achievement level of the organization's goals are in a strong connexion with the satisfaction level of those individual needs, respective an closeness/compatibility between the final target of the individual's personal objectives and organization/institution's objective where they belong, which will bring exponential increase of organization/institution objective's success.

It is well/known the fact that the differentiations among organizations are generated by their members' objectives, by the specific of activity, by the environment where functions, by culture, s.o. The ascertainment of the place and role of the institutions from the defence field (of the state) in society assert the definiteness of the relations between the political and military fields, in academic and theoretical environment existing different approaches. Still, whatever approach we use, in this case, the human resource is the main factor which assures the efficiency and effectiveness of the actions developed by the organizations from the defence field with the purpose to fulfil the objectives established in the legislation which provided the background for institution's establishment and function (respective efficiency and effectiveness in military actions appointed by the leadership from inside and outside organization). The functional and structural specific of the organization from the defence field (military organization), the particularities of the form, methods, procedures and means to roll-on/implement its action shall-mark over all enlist, selection and professional formation's system of the individuals who compose it. In order to fulfil its specific mission, the military organization, as an integrate system will advance a structure and functionality characteristic-special which are reflected simultaneously at the management level and the specific processes and activities levels.

Taking into consideration the importance of the multi-dimensional evolution of the intellectual capital, implementation of an adequate management of the individual career – materialised just through a superior management of this intellectual capital – will signify, in the end, an intelligent, creative

and performance management of institution/organization.

Intellectual capital

No matter what is the organisation's specific, within it, the intellectual capital represent the total of individuals and organisation's knowledge, which generate, in and through human action, efficiency, products (material and cognitive), projects and actions, objects and knowledge (Nurmi, R., 1999)¹. The refinement of this intellectual capital is focusing over its three essential forms, respective human capital, structural and relational capital, these being inter-dependent due to the fact that they are strongly inter-conditioned among them. The intellectual capital does not represent an unique individual who knows, but an one who also knows what to do, the organizational culture assuring the values systems (Iancu, 2015)² on which the individual rests on when he put into effect the detained knowledge, as background of his total knowledge and, in the same time, the procedural and relational framework within he can act.

The notion of human capital seems to shunt from the financial capital when we approach the organization/institution from a point of view considering the instruments which could generate value, taking into consideration the fact that the individual is not his own master, but an element, its resource, alongside the material, financial or energetic resources. In reality, the mechanisms of market economy and throwaway society consider that, in order to obtain an efficient organisational management, the individual will be considered capital goods, an intelligent, creative and non-degenerationable capital and

unique beneficiary or owner of entire organizational assembly (Becker, G.S., 1993)³. In other words, all three components of intellectual capital – human capital, structural capital and relational capital – can be considered as vested human resource and from which we expect a certain performance (Sveiby, K.E., 1997)⁴. So, the human capital will contain each individual's knowledge, professional attributions and abilities, the physical and psychological qualities, interest and relational capacities and capabilities which generate creation, the structural capital will be given by the values system self-generated by the organization, the total of production innovations, cognitive and productive processes, by the assimilation and transfer of competences, knowledge, information, s.o., and also by the cognitive and axiological heritage, their pluralism being strictly customized, and the relational capital will act on two directions, respective increase of competitiveness through exploitation of intangible resources (organizational culture), generating structural capital and, implicitly, power in efficient action, and anchorage, consolidation and development of competition success. On these lines, Leif Edvinsson, Skandia, and Pat Sullivan define the intellectual capital as being: „the knowledge which can be convert in values” (Sveiby, 2001, Curaj)⁵. Without analysing different approaches concerning the relations among the three concepts, we can allege that these concur to the organization/institution assertion, from the functional and efficiency point of views, realizing (alongside financial capital, material capital, infrastructures, processes and products) what we call organizational capital.

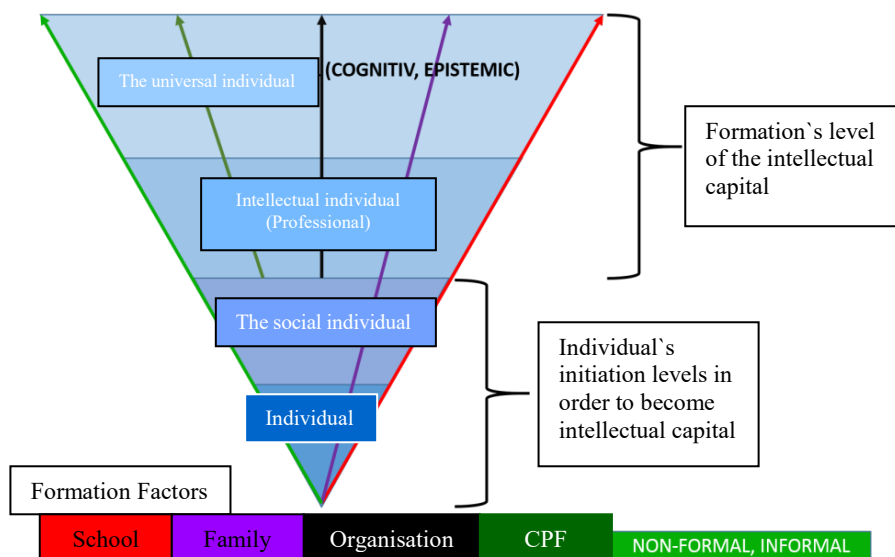
Although the term intellectual capital come out in private field, where the

individual is important insofar as he is trained to produce effective and efficient, in time, this term broaden also in public field, especially in academic one. It is obvious that his resources are characteristic to individual and the society's educational-formation system, one individual being conditional on his evolution by the mandatory passage from the level of an individual with cognitive and creative predispositions (the genetic species) to the cognitive level relying on accumulate cognitive and continuous knowledge (Prahalad; Hart, 2002)6.

Due to the fact that the intellectual capital is a sum of values, knowledges, abilities, habits of employees, assimilated by them at organizational level in the organisational culture and also those relational, it is strictly necessary to achieve also an adequate management for it. Such efficient management requests a realist evaluation, exact and efficient. There are theoretical models for such evaluations as those suggested by Bontis, Crossan and Hulland (2002)7, Hubert Saint-Onge from the Imperial Canadian Bank for Trade and Leif Edvinsson from Swedish assurance company Skandia (Brătianu, 2006)8 or that described by Thomas A. Steward (Steward, 1999)9, each models having its own general advantages and disadvantages, mainly due to the fact that they do not take into consideration both the organisation's dynamic and velocity and the fact that intellectual capital's elements have a high complexity of their interdependences and different interpretations and connotations for these. The model proposed by professor Constantin Brătianu in order to analyse the intellectual capital take into consideration the fact that the organizational capital is the result of a integration process of each employee, the human qualities

and knowledges transforming in organizational capital by means of certain integrators (Brătianu, 2006)10. So, the transformation - integration of the intellectual organisational capital depends by the wishes and necessities of the product/service's beneficiary, products offered by organization, and the knowledge process has multiple sources and multidimensional means to integrate them into durable and perfectible cognitive structures, according to the individual's aspirations. It supposed that, in order to "form" an employee as "organizational individual", it must activate entire life, a continuous and ascending evolution within an interactive and extremely complex system (family, school, informal group, non-formal group, organization, continuous professional formation system-CPF), formal, non-formal and informal (Grădinaru, 2015)11.

Figure no. 1. Generating process of cognitive individual



(Grădinaru C., *University education and its contribution to the performance's rising of company management system in Romania*, , Romania Academy, National Institute for Economic Research "Costin C. Kirițescu", doctorate thesis, 2015)

Taking into consideration the interdependencies and conditional connections system specific to the human society, the notion of human capital - the individual's capacity and capability to create added value, to invest in his own intelligence and knowledge – could be assimilate to the notion of intellectual capital. Nevertheless, the intellectual capital do not belongs to a unique individual as specimen, but to an individual as collectivity, meaning the organization. Also, the human capital can be interpreted as social capital, if we consider as working coordinates the individual's social quality, the social structures and interactions among the individual's qualities (social and organizational) who, in the end, determine the economic growth and social progress. It could be identified also a spiritual and cultural capital, which represent the formal and informal

framework within the creative intelligence will produce added value, and which is, many times, essential in order to self-generate intellectual capital.

There are lot of general and characteristic concepts and institutions of the human capital, respective intellectual capital, such as are a series of its specificities, defined by the organisation's specificities. We can affirm that the structural human capital is proportionated by the structures' characteristics of organisation and of the elements which assures the flexibility and dynamism of its function, by the management's performance, respective by the organisational culture; cognitive heritage; network and communication; by the processes and knowledges; informational system, s.o., while the relational human capital is marked out by the social connections. The social connections condition the

structural human capital, fact highlighted by the human relation types which concerns the organization, the human capital and intellectual capital, respective the relations with exterior and intra-organizational relations. The situation is obvious in the case of studies of public institutions from defence field, especially the case of military organisation (army).

In the case of civil organisation (public or private), the relations with exterior must be constructive, creative, due to that tact that they are essential for the organisational creativity, organisational culture and, implicit, for the human value accumulated and reinvested, while the intra-organisational relations shows us the organisation's firmness, respective the firmness of the structures and relationships among different compartments and employees. An optimal organisational management will take into consideration the optimization of these relations, creation and development of a solid organisational culture.

In the case of public institution from the defence field the situation is different, the intellectual capital and its associated capitals being limited by the specific of this institution, the Archimedean convolution of the intellectual capital being simultaneously dimensioned (impelled) and crimped by organisational capital evolution itself, the component part being crimped, in his development, by the ensemble which he is part of. This paradox can be explained only through organisation's explanation itself.

The public institution from defence field

The institution/organisation from the defence field – military institution/army

could be considered as a special subsystem of the social system, with specific functions, located in a network of interdependencies with other component subsystems such as civil society, economic organisations, s.o. If we analyse this institution from the points of view concerning its goal and this goal, we can affirm that this organisation represent a super-specialised instrument for fulfilling its specific missions. In other words, the final goal induce the organisation's structural and normative designing in such as to assure the rapid circulation of the decisional - hierarchic flux –, from decision to execution –, the rapid reaction and unconditional allegiance of its members (Gogoiescu, 2014)¹². The organisational model considered to be optimal – and historical followed, on national and international levels – is that established on a linear hierarchic structure with a centralised leadership, with a clear cleavage among the leadership and execution functions, an extremely high level of internal formalism, an own system of control and punishment, judicial autonomy in relation to the social system, a high level of integration of its members, selective access to information.

The smallest division of military organisation is the military unit. So, we can affirm that the military organisation is an inbuilt system of military units, each of them having its own specificity, among these being established a rigid network of command/authority, cooperation and control relations. An analysis of the activity inside the organisation from the defence field identifies different type of actions: execution activities: training, education, development of operative action (security, flight, jump, navigation, diving, special mission, s.o.), conception activities, leadership and coordination

activities, administrative activities, etc. Any unit fulfil simultaneously two objectives: combat and connected activities (combat capacities maintaining and recovery), the ratio between these activities being different according to its place within the military structure (the inferior echelon is dealing with execution, while the superior one deals with conception, leadership and planning).

Often it is stated that the resemblance between the structure of military organisation and the one from the huge Asian conglomerate could be easily observed when we study the hierarchy's harshness and the rigidity of decisional process, the differences focusing around the necessity to eliminate any doubts regarding the combat domain, initiative's limitation and the military personnel creativity. The noticed differences in the existence and function of military organisation during the peace time and the one during the war represents other specificities which mark its development. It is clear that, during the peace, the extremely authoritarian procedures could lose from their legitimacy, the administrative procedures requesting a high level of competence, specialisation, decisions manners, consultative or participatory leadership. In this respect, the military institution could be equated, in certain limits, with an organisation which needs a new type of management, where the role of developing the intellectual capital, respectively the organisational capital to be primordial.

Career in military institution

Usually, the concept of career has multiple definitions, none of them unanimously accepted, the most relevant definition being (Manolescu, 2001)¹³: promotion, profession,

sequence of position in professional activity (Mathis, Nica, Rusu, 1997)¹⁴, series of roles during the entire life connected to experience (Gary, 1998)¹⁵, the individual and subjective perception of the attitudes and behaviours sequence, the dynamic framework within a person is perceiving his life. Normally, through career we understand the sequence of the position filled by an individual due to its held knowledge, the accumulation of a certain experience at the job or due to the promotion on a superior level from the organisational hierarchy. In the military institution the career is identified with the military profession because the occupied position it supposed to correspond to a certain hierarchic level, to a certain military rank, and for which is mandatory to pass a specific track (the sequence pass through certain ranks, being impossible to avoid/leap one of them). The description of the evolution in a military career and its presentation in both military environment and civil society is, generally, described in Military Career Guide or the Officer Guide, Warrant Officer Guide, s.o. Recently, due to the decision to modernise the human resources management in the Romanian Armed Forces, it was decided to be implemented (2001) a new system of military career management, generated by the amendment of the Law regarding the Military Personnel Status and enactment of the Military Career Guide.

In real life on national and international levels can be noticed that not any individual who wishes to follow a military career can achieve this goal. The military institution gives a possibility to "decant" those who really can to follow this career through the mandatory period of internship, during which there are identified individuals with

real and adequate abilities for military life. After this are three direction for action: to follow the pyramidal structures of positions (pyramidal structure of ranks/evolution of military career), retirement or to continue the career but in the personnel categories called "of support" / "specialists". There is a certain period, established for the placement in a certain rank, during this period assuming that the individual is capitalizing the accumulated or/and detained knowledge. Of course, going out from military institution it could be done voluntary or involuntary, due the failure of promotion in rank process or due the army's reorganisation.

Given the conditions of the Romanian economy's transition toward market economy and the appearance of its main negative effect – erosion of the traditional values included in cultural capital and, unfortunately, social, going to a strategy in which the military profession could become attractive was a true challenge of the modernisation process of the human resources management in the defence field (Gogoescu, 2014)16. The birth rate decrease simultaneously with the rise of aging population and the manifest of tempting offers on the civilian labour market become obstacles for military institution when was necessary to find professional human resources, high qualified and expensive, who can assure its goal fruition, on maximum efficiency.

The reform processes imposed by the accession in collective, regional and international security organisations determined the serious reduction of the personnel from the existent 220.000 in 1989. In 2015, Romania was on 53 place with 73.350 combatants/ (place 154 in the world), respective 198.250 total personnel of Romanian armed forces.

Management of individual career

The management of individual career take into consideration monitoring, planning and placing in positions/jobs of the personnel according the existent requests from the job description files and after consulting the individual. The human resources management system from the military institution must make available to individual recent information concerning the occupied jobs, personnel needed to be employed in the vacant position, moves and promotions which can be done in a certain period of time, personnel entrances and outings, s.o. According to the theoretical studies, the basic components of the individual career management are: the selection process, planning of the career evolution and the organisational framework of the individual career management. So, the selection process will identify the individuals who deserve and can be promoted (following the steps of rising in military career), planning will established the subsequent position/jobs necessary to be followed by an individual in order to accumulate experience and new competences, essential to step up in the military hierarchy, and the organisational framework is, in fact, the structure of de career management of an individual.

The career management will always conditioned by the well-function both of its component-elements and the connections among them, the career planning depending on the performance evaluation because one of the necessary conditions to realise the selection process, this process of planning focusing on qualities, aptitudes, qualification, needs and aspirations of the individual. It is obvious that the implementation, coordination and control of such system of systems require specialised personnel structure associated

to each hierarchic level. Allongside the condition of assuring equalduals must perfectly work the principle of providing the "right man at the right position/job". Furthermore, characteristic to the military institution is the fact that, within it, coexist many types of employees, military, contractual personnel, civilian and public clerk, each having their own specificities, reason for what the problem of the individual career management becomes more complex.

Unfortunately, if we analyse the current situation of the Romanian military institution from the point of view professional structure and the career's evolution possibilities, it can be noticed situations in which the civilian positions/jobs are define on general way, without showing their hierarchy or the possibility to be promoted from a hierarchical level to the next, even there were attempts, in internal regulation, to try to equate this jobs with the military ones. On practical level, the initiated norms are not followed, often being ignored, situation which generated conflicts on working place. The deficiencies of the current evolution system in the military institution of the civilian personnel, to which could be added the lack of payment differences based on responsibility and competence level, are dispiriting for valuable individuals, with high professional competence, fact proved by the high rate of demission of the civilian personnel with specific competences and employment outside the military system, in domains which assures them professional satisfaction of the occupied job and, implicitly, a better payment (Gogoescu, 2014)17. Currently, the civilian personnel (generally those with medium level of education and performance or those who have a certain age) with no aspirations to a superior career are chose to remain

in army, by virtue of the created image about the stability of this institution.

Intellectual capital and the new management of individual career

Of course the individual's perspective about his own career planning is vital, being specific to all humans. They are and will always be concerned by the evolution of their career, working hard to be prepared, in due time and with a precise final goal so that they will be satisfied. The career management will have to harmonise the organisational needs with the individual's goal/wishes and necessities, respective with his career. According to the theory and practice from human resources domain, there is a series of factors with significant impact over selection process for a certain career (Manolescu, 2003)18: self-identity, interests, personality, and social environment. In this context, self-identity reflects the career's dependency by the mans in which an individual understands himself, the interests are reflected in choosing a certain career because the individual will choose the career which he perceives as being most suitable for him, and personality reflects the personal orientation. In practice, the personality is crucial in choosing and, latter, evolution of those who prefer the military career.

In other words, the development of individual career will not overstep the limits imposed by the interaction among the existent aptitudes, the wish for professional career of individual and working experience (development of organisational culture) provided by organisation. So, the individual will develop and will be satisfied by his career so far as the organisation will provide the means which can be used by individual

in order to promote in different positions, jobs and levels in which he can put forward his knowledge and develop his aptitudes (Mathis, Nica, Rusu, 1997)19.

Despise that, the military institution impose working conditions and social responsibility different from those from civilian institutions because, even they are followed, generally, some stage in career, there are specific regulations concerning the stage's duration and promotion's conditions from a stage to another. Ideal speaking, we can presume that an individual's satisfaction in regard to his career can be given by the fact that organisation of which he is part offered him the adequate professional means to put forward his training and to develop multidimensional the necessary aptitudes. The responsibility for career's development belongs simultaneously to individual and organisation, the last one playing a significant role in facilitating and supporting the career.

A new career management in military institution should eliminate the blockings generated by the implementation of new regulations regarding the evolution in military career, the to big impact of the major changes within the social-political-economic environment and the necessity to assure the connection rank-function at the personnel's employment in jobs, respective to eradicate the false impression that the military institution is not concerned for its people.

Albeit there were approved a series of normative documents in order to readjust the conditions of military personnel career's evolution, respective the theoretical underline of an unitary and flexible individual career management, based on professional competence, performance and development potentiale, their practical implementation is

a difficult and on long-term process. The not application, totaly, of the principle of separation of execution politics, decentralisation on many levels and non-existence of a real organisational and individual planning of career determined the materialisation of a fractioned personnel management in which there were generated the premises of a narrowed approach of the personnel management (Gogoescu, 2015)20. At the Romanian military institution level, the individual career management should comprise the projection, planning, implementation and evaluation activities of the objectives, politics and strategies for development and professional usage of military personnel, with main purpose to achieve the army needs and professional aspiration of its military (Oniciuc Corduban, 2011)21, going on its principles (transparency, equal chances, integration, controlled management of individual career, direct dialog and mandatory points to pass through in career (Oniciuc Corduban, 2009)22.

As we mentioned, a significant aspect in organisation's development is given by the development of the organisational capital components (human, structural and relational). The new management of individual career will assume, unequivocal, also the development of this capital, the organisation's efficiency and effectiveness being given by the optimal evolution of these two concept's conjunction. If it is desired to develop the human capital, then is obvious that organisation wishes, can intend to contribute to the development of each individual's knowledge, to their competences and professional abilities, physical and physiological qualities, of interest, relational capacities and capabilities, the final consequence being drafting/supplying "creation" on behalf of individuals on

element and ensemble levels. Also, the structural capital based on organisation's self-generated values system, the sum of production innovations, cognitive and productive processes, assimilation and competence transfer, knowledges, information's, s.o., and also the cognitive and axiological heritage, will be support be the individual's development, he acting as a system who feed the system of systems where he is part of, and the relational capital directed toward the competitiveness increase (through organisational culture capitalisation) and anchorage, consolidation and development of competition success will be generated in a similar way.

There are a series of important aspects which draw our attention when we wish to assure an optimal individual career management, mainly the mean and development directions of intellectual capital on the terms of a restrictive institutional/organizational culture, respective a conditionate evolution of relational capital. Of course, the military institution implies the existence of inherent working norms and regulations, an inherent organisational culture in which we can find the assembly of distinctive, spiritual, material, intellectual and affective features resulted from the individuals way of thinking, feeling and personality, displayed in the working processes, which determine significantly the organisation's mission in the defence field and the its fundamental objectives. In organisational culture from the defence field institutions we can find the national culture models, the element of "organisation's mission" which brings to the organisation's individuals a feeling of identification with organisation itself. Such organisational culture has old sources, perpetuated till now, non-compliant to change (only in exceptional

cases and which target the defence of national state, the national sovereignty and Romanian citizen's security). Unfortunately, this specific organisational culture seems to suffer cleavages/distortions, dysfunctions and alterations, not very important because if the institution's essence is affected his could lead to catastrophic effects over the entire national state.

The elements which can affect the content of organisational culture in the public civilian sector (theoretical/variable and those affiliated to human nature) can affect also the organisational culture from the defence field, their impact being diluted by the institution's specific. The organisational values promoted by the defence institution's leaders are shared by each individual within it from his entrance in organisation, his effort to transmit/implement forward being smaller than those from the public civilian institution quite because the linearity and continuity characteristics of its military education/training process (Gogoescu, 2014)²³. In the institutions from the defence field from Romania it is easier to determine the presentation forms of the noticeable aspects of organisational culture (istoriettes, symbols, heroes, rituals, ceremonies, language, norms and status) because these have a history in contributing to those organisation's cohesion. Unfortunately, the continuous and persistent deterioration of the external environment outside the defence field institutions, of the organisational culture from public civilian institution (and private) determined also the deterioration of some elements of organisational culture, most obvious being those regarding the moral values scale, persistence, perseverance, moderation, existence of shame feeling, relation's organisation through status,

s.o. Furthermore, perpetual transition of the Romanian economy determined also the erosion of traditional values (patriotism), fact reflected in the decrease of military profession attractiveness, the limitation of the environments where could be recruited military personnel. The difficulties are amplified by the existence of the mixt of civilians - military, as we mentioned before, the lack of payment differences based on different levels of responsibility and competence, lack of motivation for valuable people, with high professional competence, within the organisation or who supposed to be employed in the future. In fact, the most obvious effect was the large number of demission of the civilian personnel with specific competence and their employment outside the military system. Based on reminiscence of created images about the military institution stability, we met today civilian personnel (with medium training and performance levels or who have a certain age) with no aspiration for a superior career. The situation has a special impact over the organisational culture tamping or disturbing its exponential development. The detracton of the standards required to accede in military institution, the abusive use of indirect channel for the military personnel formation in the lean branches within the military organisation structure, the inequable settlement of the military branches for which they apply to indirect channel and the evolution of this type of personnel are elements which support the failure of the management politics, of the individual career mangement, of the individual, affecting in an essential way the institution.

The invisible aspects of the organisational culture from the institution from the defence field, affected by the external

distensions regard the dilution of the national solidarity concept, of the attitude towrd the country's defence, of the social cohesion at the community level, of the consensus and conformation to the community's rules, respective of the society, disappareance of respect cultivation towards the Romanian military traditions and values, to which can be added the false impression that this institution does not seems to be concerned by its personnel's situation (current and future).

Regarding the intellectual capital, the military institution has simultaneously positive and negative evolutions. The positive aspects concern the special quality of the education system advanced by the institutions from the military education system, being well/known the fact that its alumni received certain fame due to their success in the national and international competitions. The desire to continuously improve themselves, in military and civilian environment of the civilian and military personnel is well known, the dimensions of this formation - improvement process being more than significant. The negative aspects which overburden these evolutions were above mentioned, and can be add the false expectation - of both sides, respective errors in understanding, by employees, the dimension of their contribution which they believe that employer wish to receive from their behalf, respective how and what they expect to receive in turn to their service from the employer's behalf. The situation in the military institution is more obvious during the pace regime.

Th edevelopment and implementation of some concepts such as emotional intelligence and/or social intelligence seem to enter in antinomy with the strictness of military system, these aren't encouraged or developed

although there are sectors in which their applicability will bring significant improvements to the system's function. A study of the social intelligence in such specific institutions will highlight the knowledge, interpretation abilities, memory types, abilities to solve problems and the pragmatic framework necessary to an individual to work even-minded, driven to be helpful for the human - intellectual capital evolution. Furthermore, the study of social intelligence disclose the fact that the social intelligence is driven by ideals. General, this searching system of new ideals helps to the individuals function as elements of social life, but also to ease the selection process of the candidates to a military career on long term. If it is confirmed that an social intelligent person has a profound level of knowledge, more extensive, better integrated and more accessible, the abilities and habitus being developed on higher level, we can assume that this social intelligence can be use more efficient in the social interactions; in other words, we can assign to this person, in time, higher competences and responsibilities. Also, it can be aver that if a person has academic intelligence than this person has knowledge, habitus and possibility to use them to a superior level. In other words, an individual capable from the social point of view can be involved, in certain conditions, in different environments (social situations) taking into consideration the differences generated by his social cognitions and, in this way, he can process them. Similar, an individual - social competent, with a solid social knowledge background, can lack the ability to apply this knowledge in a flexible way in new social situations. Specialists from this field consider that the capacity of an individual to use his abilities to rich his goals,

alongside the flexibility to extrapolate this "luggage" in the new social situation, lend to social intelligence the attribute to develop expertises which help individuals to understand the way in which a person with social intelligence is using his abilities, the time and effort to monitor his interactions in order to develop and maintain the social intelligence, the increase of personal motivation level.

Conclusions

An adequate management of individual career should harmonise the organisational needs with the individual ones through correct and complete understanding of the internal and external elements which carry-over an individual in the process of selecting a career, perfecting the organisational capital and, implicitly, mixing well the individuals who "compos" the institution. The social environment where we live is in permanent change, technique and technology, education and training, social and economic situation, the profession's mobility or the disappearance of some specialisations make us to accept the necessity of implementing a complete and complex system of career planning with possible development of multiple qualifications.

Currently, the careers dynamic seems to be marked by rapid changes, the employed personnel being in the situation to confront them with an increasing competence and quick adaptation without having, unfortunately, the employer-institution/organisation, often this being more an obstacle in the process of generating adequate reactions both for individual and institution/organisation.

It is easier to approach an individual's career in a narrow denotation, in promotion

stages predictable during the service within one compartment/unit of a singular institution/organisation, but situation become more complicated when we specialised public institutions/organisations. The careers started to be shaped in more diverse forma, more difficult to be managed, the individuality of a person, his accumulated knowledge, must be taken into consideration as future indicators for generating their working environment. Similar, the individuals become more and more interested by the development of their qualities, by the existent and future competences, by the self-determination and evaluating opportunities, sometimes their careers seemed to be a sequence of short-term episodes, more and more complex from many points of view. This kind of evolution has a significant impact not only over individuals themselves, but over entire "crowd" of individuals – respective entire society, but things have a bigger significance when the institution/organisation has national importance regarding the existence of national state itself.

Generally, the public employees are more concerned by present, without having a perspective of future evolution of their person or of the public institution where they belong, large part of them considering that the future is a problem of their leaders or of the political class even the effects, usually negative, burden them. At the level of inter-human relations within the public institutions, the individuals seems to ignore or fulfil partially the role of replenish the structure of formal organisational relations and to strengthen the cohesion of informal groups made in these institutions (organisational culture, respective the relational capital), trimming more toward the development of interest (and power) networks. Generally, it

is given prefence over the observance of rigid norms within the military institution, without taking into consideration the negative implications which this kind of attitude can tolerate on developed activity and, implicitly, over the institution's goal, sometimes appearing unofficial intervention situations for solving the personal problems or of different kind in favour of friends, acquaintances, making personal favours to third persons to whom they like to develop relations, even if it means to "disturb" the institution's existent general norms.

It is benefit to develop and implement a new management of individual career but this must not mean to increase individualism, the non-implication and avoiding to take decisions within the institution and, extremely, the rise of non-assuming responsibilities predisposition (individual or on group), the individual's justification being that the initiative is not encouraged or pandered, many times this being ignored or punished. The indirect negative impact appears both at the level of relational capital evolution, and intellectual capital, ensconcesing so called sufficiency of individual. Even at superior level seems to be preferred the "lame-duck" attitude, but without allowing the assumption pf positive results and possible benefits, reason for which the public employees incline to wait the order's run-down, preferable written, even they know how to execute the order or have superior knowledge's regarding the viability, opportunity or possibility to execute the order. All these dysfunctions affect the relational capital's evolution and function, creating false organisational culture.

The reality proved that the optimal function of the elements of organisational capital significant affect the public institution's

productivity and the level of achieving the scheduled objectives. The incompatibility between the initiated changes in a public institution and the existent values of those elements brings on the foolproofing and failure of public institution itself. In order to avoid such situations preferable must be determined the effects generated by the distortions of these values over the processes which are taking place within the mentioned institution, over

the employees expectations, and even of the leading class involved in public management in public institutions, each stage of the process to solve the problems generated by the changes in the external environment must embroil the achieve of consensus for new values determinated by the strategy, goals, means, performance measurement, motivation, s.o., of institution.

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Entrepreneurial behavior among employees. Pilot study: Employees from Bucharest

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Abstract: Many objective or subjective factors influence the decision to open a business. The most important factors are: the existence of an adequate opportunity or a market, perception that starting a business could be difficult because of bureaucracy, financial barriers or the need to acquire new skills, a lack of money, etc. Also, entrepreneurial behavior is generally influenced by socio-economic status of the family of origin [1]. Thus, children from wealthy families have the “competitive advantage” to receive an education appropriate for managing a business and of course have the necessary financial resources and its start [2]. However, abilities of every individual can “correct” these benefits are completely eliminated/reduced exogenous barriers [3]. In this article I will present the results of a pilot study conducted in 2014 at Bucharest employees to observe their entrepreneurial behavior.

Key words: employee, entrepreneurial behavior, risk taking, stability

Introduction: Entrepreneurship not only helps to achieve an individual's personal conduct business, but is also a driving force for job creation, competitiveness and growth while contributing to the goals and social. This is why the European Union believes it has a duty to encourage entrepreneurship and unlock the growth potential of businesses and citizens, including this objective in the Europe 2020 Strategy. Nurture and development of entrepreneurial spirit has important benefits, both economic and social for individual, community or nation.

According to Eurobarometer "Entrepreneurship in the European Union" in 2012 [4], in 18 of the 27 countries most respondents prefer to be employed (58% of respondents said they were not going to start a business). 87% of respondents support the contractors that having a good ideas to business conducted was important for the decision to start the business, and 84% said business start finding the necessary financial resources were important. Other factors mentioned as being important for business success were: finding an appropriate business partner, a pattern to follow and address a social or environmental needs unmet.

The biggest fears of those who were going to start a business, but they did not relate to the fear of bankruptcy, insecurity caused by volatile income, lack of financial resources, fear of the complexity of administrative procedures. Personal independence and self-realization are the most popular reasons given by those who want to become entrepreneurs. Interestingly, only one fifth would choose this option for better financial prospects.

The assumptions from which I started in conducting the research were:

- how much individual behavior is more oriented towards entrepreneurship, the revenues are greater;
- if it is eliminated the main barrier to starting a business (lack of funds) the percentage of employees that will invest in opening a business will be close to the entrepreneurs who will invest in the development of existing or new business

For validation or rejection of the assumptions I used:

- Questions concerning the determination of entrepreneurial behavior (CA1S and CA2S) - to observe willing to handle certain risks to obtain higher income generated by a business (checking the timeliness Eurobarometer results "Entrepreneurship in the European Union" mentioned above) ;
- Questions that individual is put in the hypothetical situation to invest 100,000 euros AV4 - for observing the behavior of the employee entrepreneurial been in an ideal situation to start a business (if he wants).

The sample included both employees and contractors (employers, self-employed and freelancers) and believe it can provide a good indication achieve the goal. I addressed these two categories of individuals who have income to try to make a comparison between the influence that generate or may generate these inequalities, beyond the obvious risk taking by entrepreneurs who have opened a business.

I chose the person recording revenue in Bucharest to be the sample to the questionnaire, since this administrative unit records the highest incomes compared to other local government units and there are most opportunities for gains (according to numerous

statistical studies carried out at both national income, investment volume, labor market indicators etc.). For these reasons we considered that the conduct of research on this sample will give me a clearer picture of how acting factors (especially those endogenous) the influence of income inequality.

Of the 800 questionnaires, 498 valid questionnaires were completed, 269 of them applied 229 employees and contractors. Thus, the response rate of 62.25% and was due to application of questionnaires face to face with the respondents. Respondents were selected from more than 350 companies and institutions from different fields in an attempt to provide a representative picture of the level of Bucharest on revenue from the two categories of respondents and the factors influencing these revenues.

The structure by gender of respondents was: the employees - 45.35% men and 54.65% women.

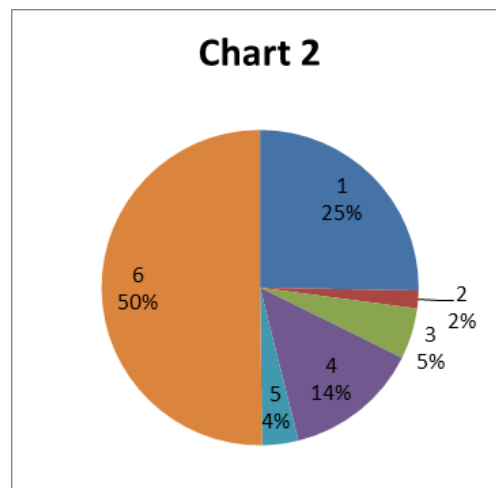
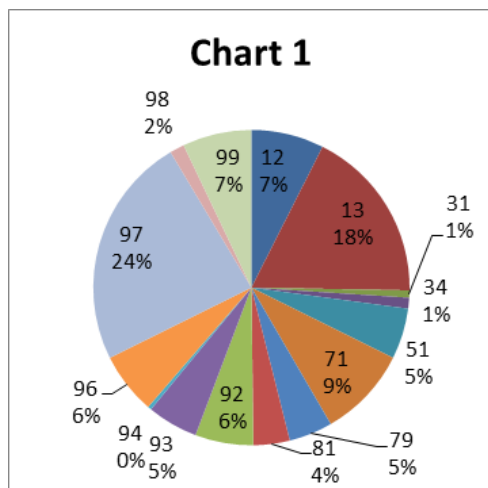
Age distribution. Most of the employees interviewed were aged between 21-25 years (37.17%) and between 26-30 years (20.45%).

With regard to educational attainment, 53.9% of employees surveyed have completed higher education, while 40.14% have completed college.

Average earnings of employees was 1657 lei, while for entrepreneurs was 5490 lei, 3.3 times higher than in the first category

Occupations of employees surveyed are shown in Charts 1 and 2, which are highly diversified, the majority of employees (24%) are traders, 18% are accountants or economists, 9% are engineers, 7% occupy a leading position, other occupations representing smaller percentages. In chart 2 occupations are centralized according to the training required for that occupation.

Charts 1¹ and 2² – Occupations of employees



Source: own processing of the data collected

¹ 12 - Director, 13 - accountant / economist, 31 - Lawyer, 34 - police, 51 - MD 71 - Engineer / IT (technical) 79 - computer operator, 81 - Professor (Education), 92 - PR (receptionist secretary), driver + mechanic 93 to 94 - athlete, 96 - budget 97 - trade 98 - designer, 99 - other

² 1 - economic field, 3 - legal field, 5 - medical field, 7 - IT-technical field, 8 - education, 9 - other

From the perspective of education and training areas / under graduation, most of the employees have economic training (33.09%), followed by technical (24.91%) and then by other areas outside the 6 answers - 22.3 % (the predominant in this category is Administrative Sciences).

CA1. Have you thought to start a business?

A percentage of 54% of the employees were going to start a business (their average income being 1717 lei). The study on entrepreneurship in the European Union (previously mentioned), claims that in Romania, a percentage of 48% of employees would prefer to open a business but have failed or fail mainly the same main reasons invoked the respondents of this research Among the reasons that have prevented to start a business, 40.9% had no money (although this category recorded an average salary of 1804 lei) and 31.6% had an idea to start a business (they had an average income of 1770 lei).

With age it seems that the main problem that prevents employees to start a business is not the lack of a business idea but lack the funds go first to start a business. This lack of funds may be due to several causes both subjective and objective of which the most important are:

- The gains are relatively small and not saving considerable sums required to start a business - 18% of respondents,
- Lack of any financial help from parents given that 58% of employees in both age ranges from families who were living on the same level with most families in the community,
- Failure or potential difficulties due to low incomes in accessing bank loans - 20%;

Another reason for not employed respondents have opened a business is lack of desire/motivation to assume the risk that it involves opening a business, given that 61% of employees in the first age range (21-25 years) and 53% of 26-30 year range say they prefer a safe workplace, but less well paid than one insecure but better paid.

AV4. If you win the lottery tomorrow equivalent of 100000 Euro, what would you do with this money?

If the share of these amounts to the percentage of respondents, the situation is as follows: employees would spend an average of 42240 Euro for housing, 8748 Euro per car, would help children with 9231 euros, 1360 euros would do charity should invest in business opening a 24459 Euro and 13962 Euro would be used for something else.

If weighted amounts, we have the following situation: entrepreneurs would spend an average of 29322 Euro for housing, 11 675 Euro per car, would help children with 8801 Euro, 1962 Euro would make charities should invest in opening a business 36160 euros and 12080 Euro could be used for something else (particularly bank deposits and holidays).

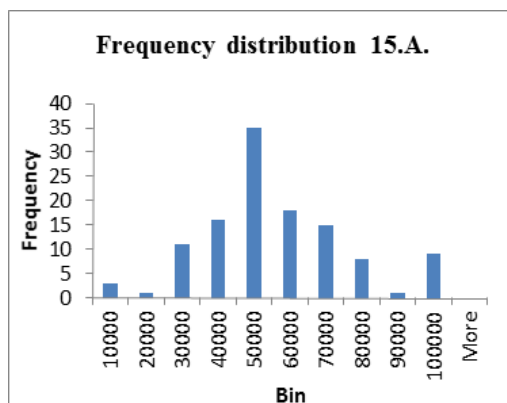
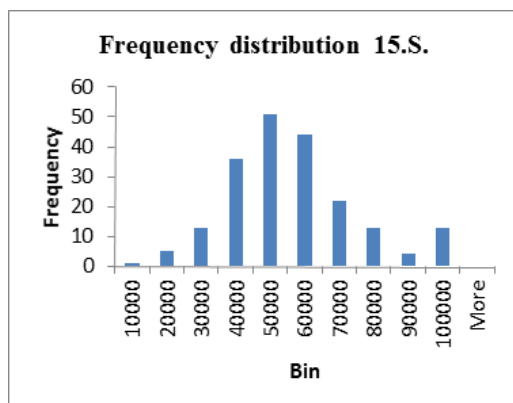
We can see that starting a business is on second place in employee's priorities, after the provision of housing, while for the entrepreneurs is first. This difference may be motivated by finding items that employees are more inclined toward taking risks lower than entrepreneurs involved in opening a business and prefer safety and stability.

25% of employees who would be interested to buy a home, would pay between 45000 and 50000 Euro (their average income were 1510 lei), 21.8% would spend 55000-60000 Euro (having an average income of

1678 lei) and 17.8% would spend 35000-40000 Euro (their average income being 1576 lei). Most entrepreneurs (30%) who wish to purchase a home should spend 45000-50000 Euro and having an average income of 3717

lei, 15.4% would allocate 55 thousand to 60 thousand euro, earning an average of 4128 lei and 13.7% would fall in the range 35000-40000 Euro and an average income of 6203 lei.

Frequency distributions 15.S. and 15.A. – Amounts allocated for housing acquisition

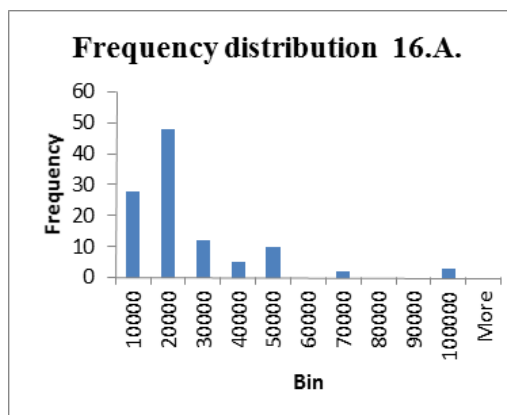
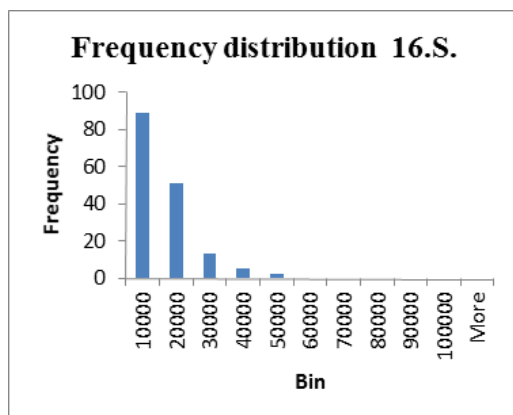


Source: own processing of the data collected

A percentage of 56% of employees who would be interested in purchasing a car, would spend a maximum of 10000 Euro for it (having an average income of 1470 lei), while 32% would allocate for this to 20000

Euro (having an average income of 1595 lei). For entrepreneurs, 44.4% would spend for a car 13000-20000 Euro (average revenue being 4153 lei), while 25.93% would spend up to 10000 Euro (average revenue being 4762 lei).

Frequency distributions 16.S. and 16.A. – Amounts allocated for car acquisition

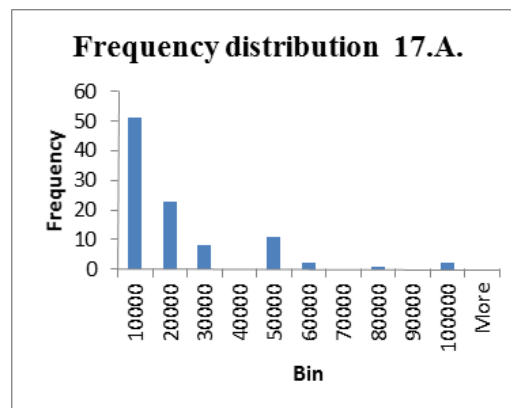
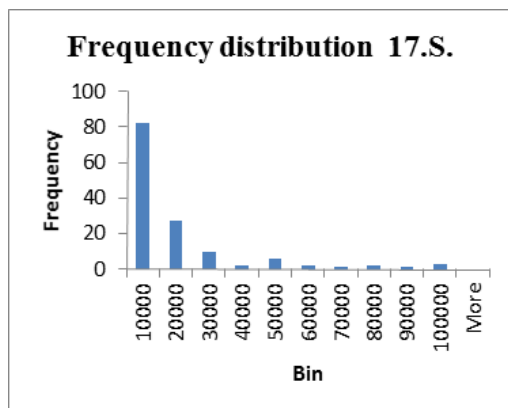


Source: own processing of the data collected

A percentage of 60% of employees who would help children, it would provide a maximum of 10000 Euro (they had an average income of 1528 lei), while 20% would provide between 15000-20000 Euro (having an average income of 1672 lei).

Most entrepreneurs (52%) who want to help their children with a sum of money, it would provide maximum 10000 Euro from the winnings (they have an average income of 5064 lei) and 23.5% would give between 15000- 20000 Euro.

Frequency distributions 17.S. and 17.A. – Amounts allocated for helping children/close relatives

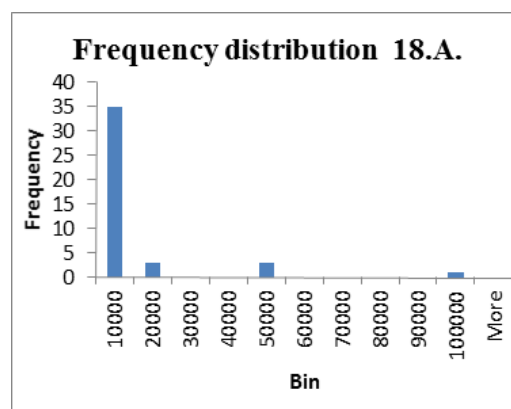
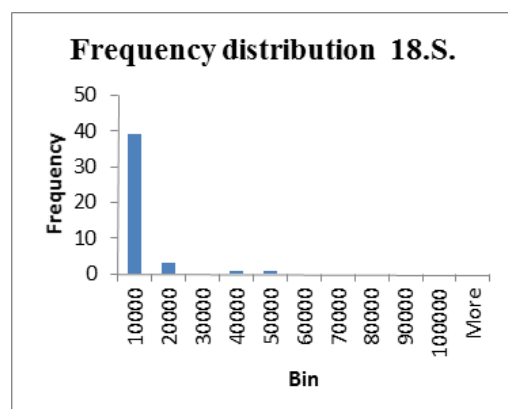


Source: own processing of the data collected

Amounts of up to 10000 euros would be allocated 88% of employees who want to make philanthropic acts, their average income were 1651 lei. A percentage of 83%

of entrepreneurs would allocate the same amount for philanthropic acts, their average earnings were 7223 lei.

Frequency distributions 18.S. and 18.A. – Amounts allocated for philanthropic acts



Source: own processing of the data collected

Only 143 of 269 employees surveyed intend to open / develop a business (meaning 53.16% of the total). A rate of 65% would invest between 15000-50000 Euro (they had an average gain of 1709 lei) in areas such as agriculture, trade, construction, tourism. The willingness to invest as a priority in agriculture is justified considering that in "The Romanian Energy Strategy for 2007-2020 updated for 2011-2020" is underlined the important role of the use of bio-fuels in the transports and in agriculture, to power the agricultural machinery, and the importance of developing energy crops [4].

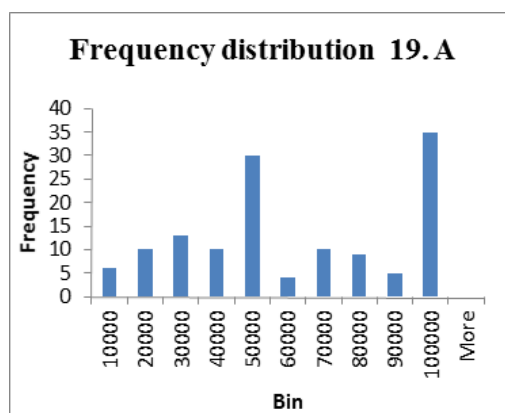
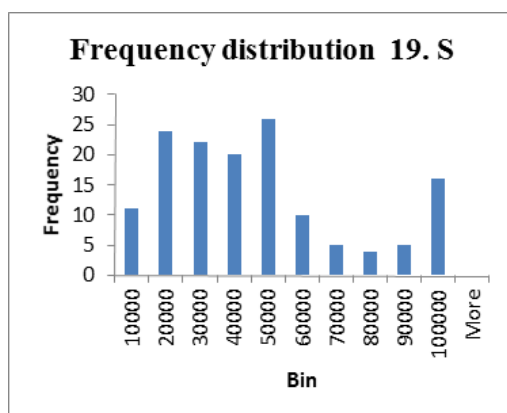
Interestingly, 11.2% of employees surveyed would invest the entire amount won (100000 Euro) in a business in tourism, IT and commerce.

A percentage of 59% of entrepreneurs would invest in their own business or opening new ones. Most of them (26.5%) would

invest the entire amount of 100000 Euro in business (they had 7569 lei average income) and 22.7% would invest Euro 45000-50000 (they had 4173 lei average income). The areas preferred by entrepreneurs for new businesses that would open linked to the production of renewable energy, IT and agriculture.

Especially after 2006, in Romania, began the development of both production and consumption of energy from renewable sources. An important element was the modernization of the legislation and the fact that more and more leaders are aware and acknowledge that the wider use of renewable energy bring many long-term benefits, both for the enterprises and the whole society, in the formation and the development of smart grids for the society. An important role has the continuous concern for the energy efficiency, for all users, individuals or legal entities [5].

Frequency distributions 19.S. and 19.A. – Amounts allocated for starting a business



Source: own processing of the data collected

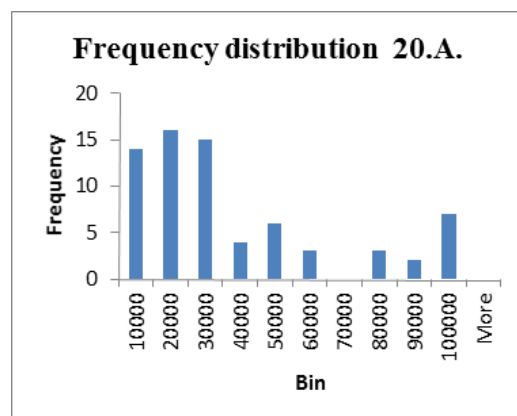
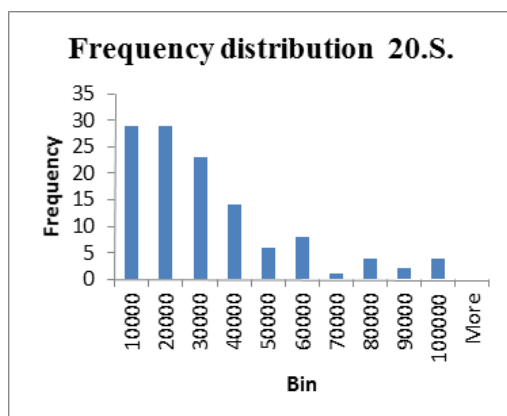
A percentage of 44.6% of all employees would use part of the money earned for other activities (main destination being bank deposits - in most cases - and holidays) as follows: 24% would use between 2000-10000 Euro for this purpose (their average income was 1516 lei), 24% would use between 11000-20000 Euro (their average income was 1541 lei) and 19.2% would use Euro 21000-30000 (1637 lei was their average income).

A percentage of 44.6% from all employees would use part of the money earned for other activities (main destination being bank deposits - in most cases - and holidays) as follows: 24% would use between 2000-10000

Euro for this purpose (average income of them was 1516 lei), 24% would use between 11000-20000 Euro (their average income was 1541 lei) and 19.2% would use Euro 21000-30000 (with 1637 lei average income).

Only a percentage of 31.4% of entrepreneurs would use part of the money earned for other activities (main destination being bank deposits - in most cases - and holidays) as follows: 20% would use between 8000-10000 Euro for this purpose (5379 lei average income), 22.9% would use between 14000-20000 Euro (3593 lei average income) and 21.4% would use Euro 25000-30000 (5213 lei average income).

Frequency distributions 20.S. and 20.A. – Amounts allocated for other activities



Source: own processing of the data collected

Conclusions:

Following the study conducted, we have seen that starting a business is second in employee's priorities, after the provision of housing, while entrepreneurs are first. Moreover, in the hypothetical situation in which respondents would win at lottery the amount of 100000 euro employees would


invest, on average, a quarter of the winnings to over one third of entrepreneurs as is in the case. If we analyze answers of „the brave“ on both sides, the differences are even more radical: only 11.2% of employees would invest the entire amount gained in starting a business compared to 26.5% of entrepreneurs who would invest in their own business and / or opening new ones.

We find from the respondent's answers that employees are more inclined toward taking risks lower than entrepreneurs involved in opening a business and prefer the safety and stability of earnings offered safe.

Entrepreneurship education provided to children and young people from primary school can provide knowledge and skills necessary to succeed future adults to

drive business success. This education must be doubled and government programs to encourage and motivate people with good business ideas and to implement them easier access to the financing they need. Nurture and development of entrepreneurial spirit has important benefits, both economic and social individual, community and nation.

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SEPA and payments industry - challenges concerning standards and operations

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Abstract: *The Single Euro Payments Area is a payment-integration project of the European Union. SEPA is aiming to create an integrated euro payments market and to harmonize the national and cross-border euro payment systems, making cross-border transactions as simple and cheap as national ones. The SEPA regulations is aiming to increase harmonization, through using of common payments formats and computer languages. The goal of using a common standard in the industry in order to facilitate interoperability among systems and infrastructures, will be more and more important. In this view, standardizing messages across institutions and companies has never been more important. The ISO 20022 provides interoperability and consistency to a highly complex industry, thereby reducing the risk of errors and speeding up processes*

Key words: SEPA, payments, ISO 20022, infrastructure, interoperability

1.Introduction

The Single Euro Payments Area (SEPA)¹ is a payment-integration project of the European Union. SEPA is aiming to create an integrated euro payments market and to

harmonize the national and cross-border euro payment systems, making cross-border transactions as simple and cheap as national ones. The SEPA regulations is aiming to increase harmonization, through using of common payments formats and computer languages.

SEPA forms a key part of the European Commission's vision of a Single Market, which is intended to extend to all European Union (EU) Member States as well as

Norway, Iceland, Liechtenstein, as well as Switzerland and Monaco, but with a focus on the Eurozone.

Mostly financial institutions target to streamline their communication infrastructure and associated costs. They could use a common "language" for all financial communications, whatever the business domain, the communication network and the counterparty (other financial institutions, customers, market infrastructures).

The financial sector worldwide becomes more and more automated and complex. The main goal of using a common standard in the industry is facilitating interoperability among systems and infrastructures. In this view, standardizing messages across institutions and companies has never been more

important. The ISO 20022 provides interoperability and consistency to a highly complex industry, thereby reducing the risk of errors and speeding up processes.

Different standards and infrastructures have been currently used across Europe before the SEPA implementation.

"Developments in retail payments have also brought about a variety of technical standards for exchanging payments and different infrastructures for payment settlement. Many countries have central "automated clearing houses" (ACH) that settle national interbank payments. In the EU-15 alone there are 12 such central ACHs which settle between 100,000 payments (Greece) and 44 million payments (France) each day. In some countries, however, bilateral exchanges of payments between major clearing institutions in the banking industry are prevalent; in Germany, this system is supplemented by banking-group-specific <giro> networks and the Bundesbank's Retail Payment System (RPS) for banks and payments not accommodated anywhere else. On the whole, the cost and efficiency levels of payment execution in the different countries in Europe have undergone varying developments. Owing to the structure of the banking sector, in Germany the processing of payments is more decentralised. All the same, it is highly efficient. This is reflected inter alia by the fact that the vast majority of payments can be automatically processed straight through the entire payment chain." This was the level of payments infrastructures in Europe according to a Deutsche Bundesbank Report from 2005.

2.SEPA Regulations and implementation in Europe

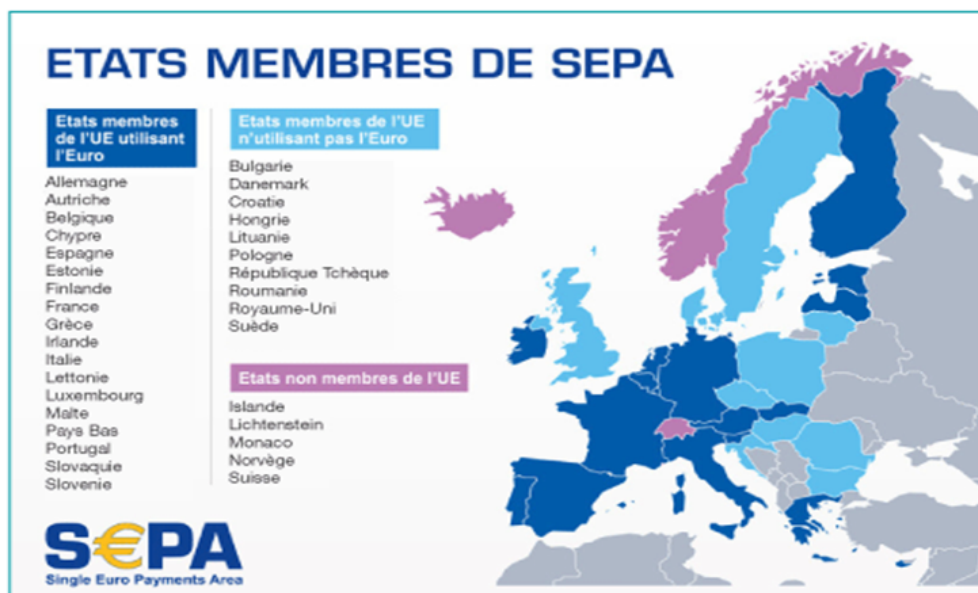
The goal of SEPA (Single Euro Payments Area) is to facilitate the emergence

¹ SEPA covers the 27 EU countries, the other three European Economic Area countries (Iceland, Liechtenstein and Norway) and Switzerland. SEPA is an initiative by the European banking sector with the European Payments Council as its decision making and coordinating body, see www.europeanpaymentscouncil.eu

of a competitive, intra-European market by making cross-border payments as easy as domestic transactions. With cross-border inter-operability for electronic payments, card transactions will increasingly replace cash and checks for all types of payments.

Using different methods, we estimate card and other payment network scale economies for Europe. Cost reductions likely to induce greater replacement of small value cash transactions are also illustrated. (Bolt & Humphrey, 2007)

Figure 1. SEPA landscape in Europe



The creation of the single European market requires adequate payment processing mechanisms. Europe's economic integration is having a decisive impact on developments in European payments. That motivated the European Commission to call for improvements to be made initially in the field of cross-border EU payments. European Commission studies dating back to the 1990s came to the conclusion that processing times and fees in this segment far exceeded national processing times and fees. The small percentage of cross-border EU payments in all banks' payments was one of the reasons. According to Deutsche Bundesbank's report

(2005) "in Germany, this percentage is still estimated to be only between 0.3% and 2% of all payments, depending on the banking group. This small percentage causes relatively high costs for the execution of cross-border payments via special procedures."

Other authors, too, characterize the European banking industry as "fragmented" (Templeton and Bond, 1999). "It has consisted of a few large banks in each country operating mainly within their own borders. Multiple currencies, the lack of highly developed security markets, cross-border regulations, and traditions have all contributed to this industry structure. Corporate customers

have relied upon domestic banks for their foreign exchange needs and for much of their debt financing.”

Introduction of EURO and, then implementation of SEPA, led to some consequences:

a) the large operational cost of the transition to the new currency. Investment in technology has been and still will be extensive over the next few years (Templeton and Bond, 1999)

b) electronic payments systems must be altered and expanded to handle the expected increase in volume and to assure reachability and compliance with SEPA regulations. Thousands of software applications are being rewritten and staff are being retrained.

c) educate the banks’ customers.

The EU tried to improve the situation by adopting various regulations.

The legislation in force include:

- Regulation (EU) No 260/2012 – Technical and business requirements for credit transfers and direct debits in euro

- Regulation (EC) No 924/2009 – Cross-border payments in the Community

- Decision 2009/72/EC – Payment Systems Market Expert Group (PSMEG)

- Directive 2007/64/EC – Payment services in the internal market - on payment services in the internal market and on the application of Regulation (EC) No 924/2009 on cross-border payments in the Community.

- Regulation (EC) No 1781/2006 – Information on the payer accompanying transfers of funds

- Directive 2000/46/EC – Electronic money institutions

- Directive 2000/28/EC – Credit institutions

- Directive 98/26/EC – Settlement finality in payment and securities systems.

The Directive on Payment Services (PSD) provides the legal foundation for the creation of an EU-wide single market for payments. The PSD aims at establishing a modern and comprehensive set of rules applicable to all payment services in the European Union. The target is to make cross-border payments as easy, efficient and secure as ‘national’ payments within a Member State. The PSD also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost-reduction. At the same time the Directive provides the necessary legal platform for the Single Euro Payments Area.

The following regulations were repealed:

- Regulation (EC) No 2560/2001 – Cross-border payments in euro, commonly known as the pricing regulation. One of its provisions stipulates that charges for electronic cross-border payment transactions and credit transfers of up to Euro 50,000) within the EU must not exceed those for comparable domestic payments.

- Recommendation 97/489/EC – Transactions by electronic payment instruments

- Directive 97/5/EC – Cross-border credit transfers – Tried to regulate the cross-border credit transfers, in the hope of creating more transparency about the terms and conditions for the execution of payments.

The European Commission and the European Central Bank commented: “The introduction of the euro as the single currency of the euro area will only be completed when SEPA has become a reality, i.e. when consumers, businesses and governments are able to make cashless payments throughout the euro area from a single payment account

anywhere in the euro area using a single set of payment instruments as easily, efficiently and safely as they can make payments today in the domestic context.”

The SEPA Regulation entered into force on 31 March 2012. The main aim of the SEPA

Regulation is to ensure the migration of existing national euro payments to the

European payment schemes (SCT and SDD) so that consumers and businesses can make and receive cross-border euro payments across Europe as costless and easy as domestic payments.

Some end-dates have been set up, in this purpose: 1 February 2014 - in euro Member States and 31 October 2016 - in non-euro Member States, or one year after joining the Eurozone, if earlier).

The main institution in this complex project European Payments Council (EPC). New schemes have been created, defining the rules, practices and standards for payments: the SEPA Credit Transfer scheme (SCT), the SEPA Core Direct Debit scheme (SDD) and the SEPA Direct Debit Business-to-Business scheme (SDD B2B). The SCT and SDD Schemes are developed in close dialogue with the stakeholder community.

The Single Euro Payments Area payment schemes, as defined in the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Rulebooks, contain “sets of rules and technical standards for the execution of SEPA payment transactions that have to be followed by adhering payment service providers.” The schemes are based on technical standards defined by standards bodies such as the International Organization for Standardization.

The general opinion of both banks and regulatory bodies is that an efficient and

integrated euro payments market will rely on payment scheme rules and technical standards that are adhered to by all European banks. This ensures the efficient straight-through processing of payments.

The SEPA Schemes have open access criteria in line with Article 28 of the Payment Services Directive (Directive 2007/64/EC of the European Parliament and of the Council of the EU of 13 November 2007 on payment services in the internal market). The SEPA payment schemes as defined in the SCT and SDD Rulebooks allow for flexibility and contain optional features enabling payment service providers to add features and enhance their core services. SEPA payment products and services offered to the customer are developed by individual payment service providers operating in the competitive environment.

There are some examples of rules and technical standards defined in a payment scheme:

- Currency of the funds (money) exchanged - SCT and SDD: euro.
- Format of the account identifier - SCT and SDD: International Bank Account Number (IBAN - ISO Standard 13616).
- Standard data formats used to exchange messages between banks - SCT and SDD: ISO 20022 message standards.
- Rules for ‘R’ transactions (refunds, returns and rejects) – each Rulebook contains detailing rules for exception handling.
- Number of characters carried with remittance information - in the SCT Scheme: 140 characters of remittance information are delivered without alterations from the payer to the payee.
- Timelines to be observed by payment service providers when executing a payment transaction.

In essence, a SEPA payment scheme can be compared to other frameworks, which prescribe standardized processes to be observed in network industries. Such standardization or integration initiatives enable the provision of services by service providers in a two-sided market across traditional boundaries (for example, national borders). Similar examples of standardization in network industries can be found in the areas of telecommunication, television or radio.

The SCT and SDD Schemes represent integration at a European level of the multiple sets of single national payment schemes existing today. Migration to a single set of SEPA payment schemes allows multiple payment service providers to offer a broad range of diversified payment services and products for euro credit transfers and euro direct debits throughout SEPA. As a result, customers benefit from increased competition and more choices in the payments market. But, in the same time, migration to the SEPA standards is a challenge for corporates, public administrations and government agencies, not only for banking institutions. Part of this challenge is represented by the implementation of ISO 20022 message standards. Of course, the benefits of standardization in communication channel formats are numerous. In the mature payments market, corporates and public administrations alike collaborate with financial institutions to achieve harmonization and standardization in the customer-to-bank space. A good example of such collaboration specifically with regard to the ISO 20022 message standards is the Common Global Implementation (CGI) initiative, a global industry forum which brings together representatives of both the demand and supply sides. The CGI has recently published

implementation guidelines covering payments, collections and reporting based on the ISO 20022 message standards. The CGI approach to ISO 20022 XML enables the user to benefit from a common business process to improve payment initiation and accounts receivable automation, including reliable transfer of the remittance advice or the remittance advice reference through the banking/PSP chain. In practice, this means that customers can take their cash management to the next level with help of a single global implementation.

3.The use of ISO 20022 XML format

ISO 20022 - Universal financial industry message scheme (which used to be also called "UNIFI") is the international standard that defines the ISO platform for the development of financial message standards. It allows participants and systems in different markets to "talk" to each other using consistent terminology or syntax, which supports domestic and global interoperability. It also allows for more remittance information.

Mostly financial institutions that want to streamline their communication infrastructure and associated costs by opting for a single, common "language" for all financial communications, whatever the business domain, the communication network and the counterparty (other financial institutions, clients, suppliers and market infrastructures). ISO 20022 is targeted at these standards initiatives that are generally driven by communities of users looking for more cost-effective communications to support specific financial business processes with a particular view of facilitating interoperability with other existing protocols.

The drivers for ISO 20022 adoption are, among others, harmonization (driven by regulation or innovation), interoperability with other systems/industry participants, and automation of processes.

The first focus of ISO 20022 is on international (cross-border) financial communication between financial institutions, their clients and the domestic or international 'market infrastructures' involved in the processing of financial transactions. The world of financial services and especially payments is highly reliable and fast. This, however, has developed over time and more jurisdictions are taking the strong opportunity to use ISO 20022 for the development of new domestic financial messages as well, thereby streamlining all communications for financial institutions.

What are the benefits of ISO 20022 for the players on the payments market?

First of all, it should be mentioned the capability to extend both payment and remittance data. Then, maybe more important, industry interoperability will be increased between counterparties both within the domestic and cross-border markets, reducing the complexity, cost and risk of data manipulation and conversion.

Another benefit will be the improved payments resilience via cross scheme interoperability for scheme participants, and easier redirection of payment irrespective of payment type for end-users, particularly in times of crisis or during service disruptions. It need to be mentioned the reduced barriers to entry to the payments infrastructure supply market, as well as potential reduced barriers to entry to the payments market by challenger banks.

The ISO 20022 flexible framework will encourage users to build business

transactions and message models under an internationally agreed upon approach, and to migrate to the use of a common vocabulary and a common set of syntaxes.

The ISO 20022 process is governed internationally through a management group made up of financial services industry representatives from a global constitution. The implementation and supply of services to support the technical registration process is provided by SWIFT in contract to ISO.

In ISO 20022, the outputs are stored in a central financial repository. The ISO 20022 repository offers industry users and developers free access to a Data Dictionary of business and message components and a Business Process Catalogue containing message models and corresponding XML and/or ASN.1 schemas. If there are no ISO 20022 messages to cover a specific transaction, standards initiatives can be launched to define new models and messages and submit the new solution for approval by the ISO 20022 registration bodies. If the messages exist in the ISO 20022 repository, but do not address all requirements of a new community, it can be agreed upon to update the existing models and messages and create a new version that will accommodate the needs of all.

ISO 20022 is currently used globally, not only in the SEPA zone. ISO 20022 is currently mandated through the SEPA Regulation as the message format for SEPA Credit Transfer and SEPA Direct Debit transactions. It is also mandated for Euro Real Time Gross Settlement (Target 2 and Euro1). Jurisdictionally, it is being used in other EEA countries such as Denmark and Switzerland as well as Japan, India, Russia, Australia, Canada, Singapore and South Africa.

There is still a question to be answered: will the entire payments market move to

ISO 20022 for payments in the future? The payments industry via their representatives agreed that there were no immediate plans to make a wholesale move towards ISO 20022. Of course, the standard is a catalyst of collaborative development of the industry and actors could consider the opportunity to invest in ISO 20022. Anyway, the payments industry has a long history of being committed to common industry standards as any successful network business depends on common standards.

For example, Common Global Implementation (CGI) Programme is a forum for banks, corporates and vendors to discuss various corporate to bank implementation topics related to ISO 20022, aiming to simplify the implementation of ISO 20022 based messages to promote wider acceptance within the corporate to bank space. Includes banks and large corporates already using ISO 20022, e.g Citi, Barclays, HSBC, JPM, RBS, Santander, Deutsche Bank, Ikea.

ISO 20022 is a multi part International Standard prepared by ISO Technical Committee TC68 Financial Services. It describes a common platform for the development of messages using:

- a modelling methodology to capture in a syntax-independent way financial business areas, business transactions and associated message flows;
- a central dictionary of business items used in financial communications;
- a set of XML and ASN.1 design rules to convert the message models into XML or ASN.1 schemas, whenever the use of the ISO 20022 XML or ASN.1-based syntax is preferred.

The resulting models and derived messages are published in the Catalogue

of messages and stored in the ISO 20022 Financial Repository available on this web-site. This flexible framework allows communities of users and message development organizations to define message sets according to an internationally agreed approach using internationally agreed business semantics and, whenever desirable, to migrate to the use of a common XML or ASN.1-based syntax. The catalogue of messages gives access to the current, latest version of approved ISO 20022 message definitions. The Full Catalogue provides access to all current versions of ISO 20022 message definitions sorted in alphabetical order of the business areas and message IDs. The following documentation is provided:

- a Message Definition Report (MDR) and, when necessary, a Message Usage Guide (MUG) fully describing each message set
 - the schema of each message definition
 - examples of message instances, when provided by the submitting organisation
 - the Business Application Header (BAH) documentation.

Below is presented the Full catalogue of ISO 20022 messages. This presents the description of the latest version of ISO 20022 message definitions:

- a Message Definition Report (MDR) and, when necessary a Message Usage Guide (MUG), fully describing each message set
 - the schema of each message definition
 - examples of message instances, when provided by the submitting organisation
 - the Business Application Header (BAH) documentation.

The e-Repository includes all current ISO 20022 message definitions in a processable EMF format.

This is the list of ISO 20022 messages per Message Identifier/Business Area:

- acmt - Account Management
- admi - Administration
- auth - Authorities
- caaa - Acceptor to Acquirer Card Transactions
- camt - Cash Management
- catm - Terminal Management
- pacs - Payments Clearing and Settlement
- pain - Payments Initiation
- reda - Reference Data
- remt - Payments Remittance Advice
- seev - Securities Events
- semt - Securities Management
- sese - Securities Settlement
- setr - Securities Trade
- trea - Treasury
- tsin - Trade Services Initiation
- tsmt - Trade Services Management
- tsrv - Trade Services .

Figure 2. Example of pain - Payments Initiation messages

Msg ID (Schema)	Message Name	SD	Submitting Organisation	Instances	Msg Def Report
pain.001.001.05	CustomerCreditTransferInitiationV05	Y	ISTH	Download	MDR
pain.002.001.05	CustomerPaymentStatusReportV05	Y	ISTH	Download	
pain.007.001.04	CustomerPaymentReversalV04	Y	SWIFT	Download	
pain.008.001.04	CustomerDirectDebitInitiationV04	Y	ISTH	Download	
pain.009.001.04	MandateInitiationRequestV04		SWIFT	Download	MDR
pain.010.001.04	MandateAmendmentRequestV04		SWIFT	Download	
pain.011.001.04	MandateCancellationRequestV04		SWIFT	Download	
pain.012.001.04	MandateAcceptanceReportV04		SWIFT	Download	
pain.013.001.03	CreditorPaymentActivationRequestV03		CBI	N/A	MDR
pain.014.001.03	CreditorPaymentActivationRequestStatusReportV03		CBI	N/A	

(source: www.iso20022.org)

The technical standardization based on the use of international standards facilitates the integration of the EU payments market.

The SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) Schemes and adjacent implementation guidelines developed by the European Payments Council in close dialogue with the customer community are based on the ISO 20022 messages standards. With the launch of the SCT Scheme in 2008, European banks were the first in the world to deploy the ISO 20022 message standards

for mass payment transactions. The roll-out of SEPA, therefore, represents one of the initiatives that pioneered broad-scale adoption of ISO 20022.

4.Regulation (EU) No 260/2012 and payments interoperability

In February 2012, the EU legislator; i.e. the European Parliament and the Council of the EU representing EU Member States, adopted the 'Regulation (EU) No 260/2012

establishing technical and business requirements for credit transfers and direct debits in euro' (the SEPA Regulation). This legislative act defined 1 February 2014 as the deadline in the euro area for compliance with the core provisions of this Regulation. Effectively, this means that as of this date, existing national euro credit transfer and direct debit schemes will be replaced by SCT and SDD. The SEPA Regulation details, among other things, the use of the ISO 20022 message standards by payment service providers and payment service users.

The Regulation (EU) No 260/2012 details the use of the ISO 20022 message standards by payment service providers (PSPs) and payment service users (PSUs). Article 5 (1) (d) of the SEPA Regulation states that PSPs "must ensure that where a PSU that is not a consumer or a micro-enterprise, initiates or receives individual credit transfers or individual direct debits which are not transmitted individually, but are bundled together for transmission", the ISO 20022 message formats are used.

Article 2 (17) of the SEPA Regulation defines the ISO 20022 XML message standard as "a standard for the development of electronic financial messages as defined by the ISO, encompassing the physical representation of the payment transactions in XML syntax, in accordance with business rules and implementation guidelines of Union-wide schemes for payment transactions falling within the scope of this Regulation." The 'implementation guidelines of Union-wide schemes' referred to in this definition would include, for example, the implementation guidelines published by the European Payments Council (EPC) with regard to the SEPA Credit Transfer (SCT) and SEPA Direct

Debit (SDD) Schemes, which are available on the EPC Website.

Interoperability is the key of this process. According to Potgieser (2010) interoperability is central to establishing SEPA. "The goal of interoperability is to allow information to be presented in a consistent manner between business systems, regardless of technology, application or platform. It thus provides organizations with the ability to transfer and use information across multiple technologies and systems by creating commonality in the way that business systems share information and processes across organizational boundaries."

A number of levels of interoperability can be identified, where the most important are (Potgieser, 2010):

- Technical interoperability based on common methods and shared services for the communication, storage, processing and presentation of data. This includes the technical foundations for a secure environment, compatible technical standards and a common framework, i.e. technical issues involved in linking computer systems and services like open interfaces, accessibility and security services whilst streamlining the integration, presentation and exchange of data.

- Semantic or business interoperability designed to address discovery and collaboration aspects, including workflow and decision-making transactions. Creating interoperability in this area can require alignment of business processes as well as operational synchronisation of collaboration data to ensure that the precise meaning of exchanged information is preserved and well understood.

- Organisational interoperability; e.g. the process by which different organisations

(either in public or private sector) collaborate to achieve their mutually beneficial, mutually agreed service-related goals.

- Legal interoperability, e.g. - in the context of the European Union - appropriate synchronisation of national legal regimes is required so that electronic data originated in any one Member State are accorded the proper legal weight and recognition in any other Member State.

This involves both PSP (Payment Service Provider, e.g. a bank or an electronic money institution) and PSU – Payment Service User, e.g. a business or consumer. PSUs should therefore make arrangements to adapt to the usage of ISO 20022 XML message standards in the customer-to-bank space in relation to files of payment transactions.

Figure 3. SEPA flow of a payment transaction (the four corner model)

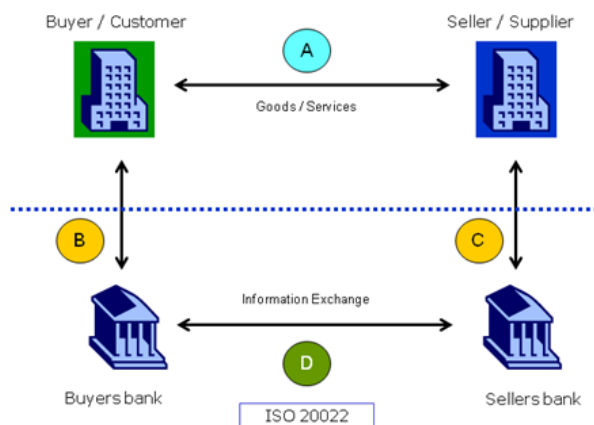


Figure 1

<http://www.europeanpaymentscouncil.eu/>

From 31 October 2016 the use of the ISO 20022 XML4 message standard becomes

mandatory for the credit transfers and direct debits in euro by businesses that are not microenterprises (microenterprises are those with less than ten staff members and a turnover or a balance sheet total of up to €2 million). Businesses must take steps to ensure they have the capability to initiate and receive bundled payments in ISO 20022 XML format by 31 October 2016. For example, their systems must be capable of processing cash management (CAMT)

and payment initiation (PAIN) messages. PSPs have a legal requirement to ensure that their business customers use this format from 31 October 2016.

The SEPA Regulation does not specify how businesses should meet this requirement.

Some businesses may choose to make their own internal systems ISO 20022 XML compliant in support of their SEPA traffic. Others may wish to use conversion services to convert their existing message formats into the ISO XML 20022 format, at least for a transition period.

5. Conclusions

Still, the legal framework does not guarantee the success of a standard.

Standards succeed when they achieve critical mass and consistency of use. Sometimes, if the users make bilateral arrangements to overload or circumvent usage rules, the value of a standard is diminished and the importance is reduced.

On the other side, in the payments domain, the standards have been extremely successful. First, the standard was well designed to be clear and concise, and it has been amended in an orderly way. We should add here that almost all messages following the standard are processed through SWIFT's central switches, and there is little reason to circumvent the standard for the small fraction of messages that will go via other communication channels.

ISO 20022 starts with the ambitious goal of unifying financial message standards, e.g. payments. ISO 20022 provides a clear and comprehensive language for expressing the rich variety of information that accompanies payment instructions with many distinct purposes. It is here that the rich opportunity presented by ISO 20022 can be unlocked. The standard defines messages with clarity of purpose for each message type. The purpose is to convey information between parties in the payment chain, as an instruction from the originating corporation to a bank, to pass settlement information among multiple banks that are involved in the settlement of the payment or to deliver a report about the payment.

The objective in creating a Single Euro Payments Area is to eradicate the current fragmentation of the European payments landscape. The use of ISO20022 aims to this goal.

Abbreviations used

- SEPA – Single Euro Payments Area - all European Union Member States as well as Norway, Iceland, Liechtenstein, Switzerland and Monaco but with a focus on the Eurozone (i.e. those states that have adopted the euro as their currency).

- ACH – 'Automated Clearing House' payments are usually lower value retail payments, rather than the higher value payments that tend to go through real time gross settlement (RTGS) systems. Payments going through large value payment systems excluding direct debit payments which the payer has not explicitly requested be routed via a large value payment system e.g. TARGET2, Euro1 and STEP1 are not in scope of the SEPA Regulation.

- EPC – European Payments Council
- SCF – SEPA Cards Framework
- SCT – SEPA Credit Transfer
- SDD – SEPA Direct Debit (the Core scheme)
 - SDD B2B – SEPA Business-to-Business Direct Debit (only for use by corporates)
 - PSP – Payment Service Provider, e.g. a bank or an electronic money institution
 - PSU – Payment Service User, e.g. a business or consumer
 - IBAN – International Bank Account Number
 - BIC – Business Identifier Code

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Formal aspects of resilience

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Abstract: *The concept of resilience has represented during the recent years a leading concern both in Romania, within the European Union and worldwide. Specialists in economics, management, finance, legal sciences, political sciences, sociology, psychology, grant a particular interest to this concept. Multi-disciplinary research of resilience has materialized throughout the time in multiple conceptualizations and theorizing, but without being a consensus between specialists in terms of content, specificity and scope.*

Through this paper it is intended to clarify the concept of resilience, achieving an exploration of the evolution of this concept in ecological, social and economic environment. At the same time, the paper presents aspects of feedback mechanisms and proposes a formalization of resilience using the logic and mathematical analysis.

Keywords: resilience, systems, feedback, inverse connection, adaptive capacity, fragility, anti-fragility, robustness

JEL Classification: A10, O17, P00

Introduction

The concept of resilience has been the subject of some interesting and controversial debates starting from RH MacArthur's article from 1955, referring to the modern study of stability in ecology field: "The fluctuations of animal populations and the measure of community stability." Given the R.H. MacArthur's statement the researchers have investigated different aspects of the concepts: stability, permanence, strength, resilience and variability.

The paper has the following structure: exposure of debates and controversies existing in the literature regarding the concept of resilience and the boundaries of this concept in relation to other concepts, description of feedback mechanisms, resilience formalization using as an example the Cobb Douglas production function.

In 1973, the ecologist C. S. Hölling relates to ecosystems resilience as being: "their capacity to absorb unforeseen shocks and disturbances without collapsing, self-destructing or entering such undesirable conditions". Recent studies show that resilience is applicable not only to ecosystems but also to social and economic systems. Thus, we mention the following researchers interested in the economic approach of the resilience concept: the researchers Rose (2004, 2007) and Chang (2009) and the researcher Engberg-Pedersen.

In the field of behavioral psychology, the researchers Masten et al. (1990), Kaplan (1999), Luthar and Becker (2000), O'Doherty Wright et al. (2013) analyze the resilience concept, reaching the following conclusion: resilient people are capable of self-renewal and adaptation, while those less resilient degrade and are adversely affected by stress factors.

The author, Nassim Nicholas Taleb, in his book "Antifragile. Things that gain from disorder " (2012), offers one of the most complex and current approaches on the resilience concept. The author clarifies aspects of the resilience concept by introducing the concept of antifragility in the literature: "the resilient withstand shocks and remains the same; the antifragile gets better."

1.1. The concept of resilience

Recent studies pay particular attention to the analysis of complex systems, often characterized by non-linear dynamics and unpredictable results. Thus, subjects like ecology, biology, sociology, but also economy, focus on behavioral aspects of non-linear dynamical models given the feedback loops, synergistic answers, and also the adaptive behavior.

The concept of resilience is based on the assumption that different states of a system involve different points of equilibrium, so that the systems development is based on the system's ability to move from one state of equilibrium to another.

Further, we will refer to the manner in which the concept of resilience is approached within Complex Adaptive Systems Theory. We will also consider aspects of the four concepts: resilience, robustness, fragility, anti-fragility, from the author Nassim Nicholas Taleb's perspective.

We will make some clarifications on the five properties of the complex adaptive systems: emergence, self-organization, pathway dependence, blocking in state and resilience.

Among the scientific community which addresses the topic of Complex Adaptive Systems, the emergence of a system can be

defined as: "the features of a system do not result from the summing of system components, but from the interaction between the components", (Lansing și Kramer, 1993) and the researchers O'Sullivan (2004) and Martin and Sunley (2007) highlight the close link between emergence, self-organization and resilience: often the complex systems are self-organizing themselves regardless of external conditions, the result being an emergent structure that has a highly variable resilience potential, depending on its stage of development.

The concept of self-organization implies a self organization that emerges from inside, not being imposed or ordered by an external entity, even if the organizer impulse may derive from outside the system.

The concept of pathway dependence is first used by the researcher Paul David who gives it the following definition: "a stochastic process of pathway dependence is one of which asymptotic pathway evolves as a consequence of its own historical processes". (David, 2000, p. 5).

Interesting is the opinion of Page (2006). The author believes that non-linearity is the one that generates the pathway dependence, this being set of rules that interact locally and which is changed once with the system dynamics. A consequence of pathway dependence consists in the existence of more attractors between which the system variables choose to tend at some point to its evolution.

The concept of blocking in state is defined by Redding (2002) as: the effects of the occurrence of pathway dependence process; the pathway dependence occurrence creates the premises of installing the blockage if positive feedbacks are the dominant majority.

Pendall et al. (2010) and David (2000) believe that in order to exit this blockage state

it is needed the intervention of some shocks from outside the system, which will cause changes in the system structure or may lead to the change of relations between system components. Thus, in this case, the system must not be resilient, because it needs to change its structure and the relationships between components, maybe also its functionality.

1.2. Resilience, robustness, fragility, antifragilitatea – concepts clarification

We shall refer to the four concepts from the author Nassim Nicholas Taleb's perspective.

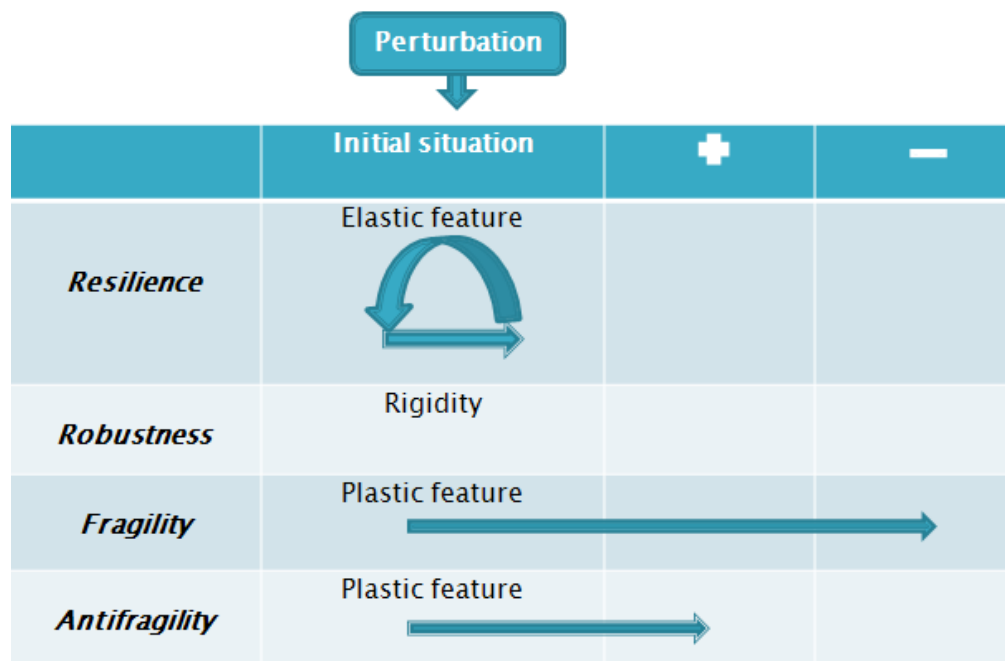
The author proposes the concept of antifragility and makes an analysis of the fragile systems, resilient, robust and antifragile in his paper. The author refers to the fact that antifragility delimits the boundary between what is alive and organic (or complex) and what is inert.

Thus, given the exposures of the author on the four concepts, we shall make the following clarifications:

- Resilience represents the strength of the system on internal and external disturbances; has elastic feature.
- Robustness is the strength of the system on the internal and external disturbances.
- Fragility involves more loss than gain, i.e. more disadvantages than benefits, i.e. unfavorable asymmetry – following the action of internal and external disturbances.
- Antifragility involves more gain than loss, i.e. more advantages than disadvantages, i.e. favorable asymmetry - following the action of internal and external disturbances.

We shall use the following illustration in order to present these issues:

Figure 1. The system behavior after the action of perturbation



2.The resilience formalization

2.1.The feedback mechanism

Based on Complex Adaptive Systems Theory, feedback represents an essential feature of these systems by assuming the existence of some connections and interdependencies. The principle underlying the creation of a feedback loop is simple but the feedback loop effects are particularly complex due to the diversity of situations in which it occurs.

As defined by Golec (2004), feedback is: "the influence exerted over the input by an output part ". There are two types of feedback mechanisms: positive feedback and negative feedback.

Positive feedback mechanisms are those where the action resulted goes in the same

direction as the condition that caused it, in which case they have an incentive effect, amplifying the actions that they may determine within the system.

Negative feedback mechanisms are those mechanisms where the action resulted opposes to the conditions that caused it; when they have stabilizing effects, of balancing and maintaining the system integrity in relation to its environment.

Feedback mechanisms have an important role in all complex system. By returning a part of the output back to the system it is achieved an adjustment mechanism. The adjustment is based on the two types of feedback.

The feedback formalization

Let us consider, (X) the input into system and (Y) represents the system output, and f a function which convert input into output, then $y = f(x)$.

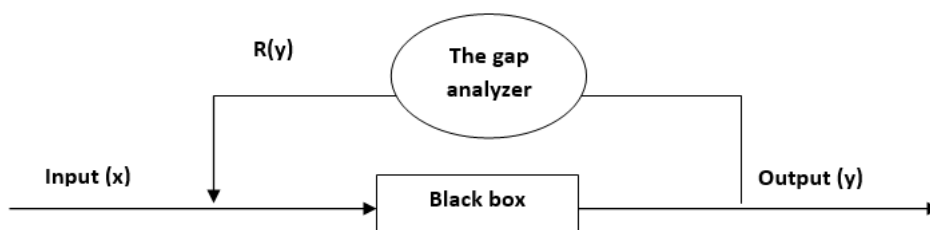
We define the gap analyzer which will compare the effective value of output (y_e) with expected output value (y_a).

We define $\lambda = |y_e - y_a|$ as the size of the expected output oscillation and \mathbb{I} its threshold value.

In this situation, we will have:

- If $\lambda \leq \mathbb{I}$, then output value does not change;
- If $\lambda > \mathbb{I}$, then the input value changes.

Figure 2. The inverse connection – general representation



There are two types of inverse connection:

The positive inverse connection amplifies the deviations of the actual effect from that expected, leading to destabilization of the system. The negative inverse connection reduces the mentioned deviation, leading to stabilization of the system.²

The gap effect represents an absolute difference between the effective value of a variable and the expected value of this

² Dinga, E., Studii de Economie. Contribuții de analiză logică, epistemologică și metodologică, Editura Economică, 2009, p.107

If $\lambda > \mathbb{I}$ the next cycle of the system changes through a feedback reaction.

Thus, we can write the following formal relations that describe the process:

X in the following cycle: $X = X + DX$

Y in the following cycle: $Y = f(X + DX)$

We will compare the effective with the expected value of output. Based on this comparison result we'll decide to modify the cause with a size adjuster, $R(Y)$.¹

¹ Dinga, E., Studii de Economie. Contribuții de analiză logică, epistemologică și metodologică, Editura Economică, 2009, p.107 –an adapted figure

variable.³

2.2. From feedback to resilience. A simple formalism

We will define the following concepts:

- System behavior represents the relationship between the system and the environment;
- System functionality is the relationship between system elements;
- Perturbations represent the environmental influences on system.

³ Dinga, E., Asupra modelării macroeconomice. Aspecte metodologice, OEconomica, 2007, p.11

If we consider the resilience case, we will be interested in the reaction neutralization of the system; we do not care system destabilization. Thus, we consider the case of negative feedback.

If (X) is the input into the system and (Y) represents the system output and f , an transformation operator and Π – the perturbation which is acting on the system. Then, the perturbation will transforms the operator f into f' ($f' \neq f$).

If we consider, $f = f(x_1 \dots x_i \dots x_n, \alpha_1 \dots \dots \alpha_n)$, if a perturbation is acting on the system, is enough that only one variable x_i' to be different from x_i and only one parameter α_i' is different from α_i , then the operator f is changed into f' :

$$f = f'(x_1 \dots x_i' \dots x_n, \alpha_1 \alpha_1' \dots \dots \alpha_n).$$

Exemplification

For instance, we will use the Cobb Douglas production function:

We will consider as inputs for the production function:

- The amount of labor used in the production process, noted by L ;

- The amount of capital, noted by K ;

And output: production value, noted by Y ;

- Coefficient of proportionality between factors, noted by A ;

- Elasticity of production according to capital, noted by α ;

- Elasticity of production according to work, noted by β .

$$Y = A * K^\alpha * L^\beta$$

To highlight how the external perturbations affect the capital, we will use the example of Hellegatte et al. (2007) which aims to

change the Cobb-Douglas production function by introducing a term Ω_k ; this term represents the proportion of capital by the external perturbation.

The effective capital will be $K = \Omega_k * K_0$, where K_0 is the potentially productive capital, in absence of external perturbation.

We will have a new level of production given by:

$$Y_1 = \Omega_k * f(L, K_0) = A * \Omega_k * K_0^\alpha * L^\beta$$

Thus, we will have the following situation:

With this new production function, in the presence of external perturbation, an $x\%$ reduction of the productive capital reduces production by $x\%$, and the loss in output is approximately equal to $1/\alpha$ times the loss of asset estimated using the normal production function.

Conclusion

The paper provides an original assessment of the literature in terms of defining and measuring the concept of resilience. Although, the literature has proposed several methods of measuring resilience, it still remains at a formal-theoretical level. We will continue this research, especially at the institutional level, by assessing the institutional resilience impact on the economy.

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