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

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Creativity, Invention and Innovation - Catalysts of a Perfect Management

Lately, in the academic environment, as well as among management consultants and managers, the issue of management innovation is increasingly arising. It is considered that innovation in management has the unique advantage of making key changes in terms of competitiveness by implementing practices, structures, techniques, or processes that can facilitate the achievement of the organizational objectives. This can help create favourable conditions at the organizational level for building a favourable climate where creativity, innovation and inventiveness can become important factors of organizational performance by creating competitive products and services.

As a multidimensional process, creativity involves generating new ideas or concepts, or new associations that can be defined from the perspective of different disciplines: psychology, cognitive sciences, arts, artificial intelligence, philosophy, economics, and management offering numerous possibilities to build high-performance managerial instruments.

Innovation is the specific tool for entrepreneurs, the means by which they exploit change as an opportunity for various businesses or services, being the main engine of the economic growth in the global economy today. By introducing innovations into practice, products with improved quality features, superior quality services, new, more efficient and environmentally friendly production processes, improved business management system models, modern methods of workforce management, etc. can be achieved.

As a technical achievement, invention facilitates the realization of some products or processes in all technological fields.

Here is how creativity, innovation and invention within the field of management can sustain economic activity by defining new valences.

Prof. Ph.D. Paul Marinescu

The management of innovation in the context of structural funds

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

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Abstract: *As a decisive factor in the existing economic competition in a world increasingly globalized, a market accessible through digitisation and unprecedented information speed, innovation has become the key objective that makes the difference between “to be” or “not to be” for every economic actor who aims to play a leading role on the market. Innovation has become a concept so widely spread that one cannot conceive the success of a business without this factor, whether we are talking about the innovation of a product, process or service or marketing and organization structure. Innovation has also become a key concept for public institutions that intend to keep up with developments in technology, under the pressure from a society increasingly more connected to technology. The European Union promotes the concept of innovation at the center of the development strategy for the economic sector, thus generating the vision that governs three key tools: Research framework program, the cohesion policy and the framework program for competitiveness and innovation. In the present study we start from the definition of the concept of innovation. We approach the notion of innovative management perspective in the context of accessing European funding programs. Ultimately, the purpose of innovation management is the efficiency of innovative economic activity, i.e. in increasing productivity in balance with the principles of sustainable development. European funding programs stimulate the innovation management in entrepreneurship, public institutions and*

NGOs, whether we are talking about innovation in the economic field, at the level of social services or in the field of public services.

Keywords: Innovation Management, Structural funds, Absorption of European funds, Adaptation, Innovation, Research, Entrepreneurship, Innovation Firm, Innovation Processes, Invention Processes, Technological Innovation, productivity, efficiency, sustainable development, green economy, encouraging investments with innovative character.

JEL Classification: G23, Q48, O310, O32, O350, P18.

1. Innovation-theoretical Considerations

From invention patent for a new product or process, production methods and innovative production process and services, the organization of the company, the use of new raw materials, innovative rules and procedures, innovative marketing strategies, creating or accessing new or existing markets up to the new ways of stimulating human resources successfully practiced by corporations, innovation brings "something new", a discovery or an invention; innovation involves talent, vision, and knowledge from different disciplines, interdisciplinary is one of the main features. Innovative management has a direct effect on increasing economic efficiency, level of sales and productivity of a company.

As we find in the communication of the European Commission (COM 638/1995), the notion of innovation involves the renewal and diversification of products, services and markets, the establishment of new methods of production, supply and distribution and the introduction of changes in management, work organization, working conditions and training of personnel. Innovation may be defined as the overall process of technological and commercial creativity, the transfer of

new ideas or new concept all the way to the final stage of a new product, process or service accepted by the market. [1]

The innovation consists in the application of new methods/strategies/process that has the effect of increasing profitability by increasing sales or reduces production costs and overheads. Innovation is determined by international competition, consumer requirements, changes in technology, the legal framework in various areas such as protecting the environment. Innovation becomes one of the essential factors of the current economy. Innovation contributes to the essential business success increasing sustainability by increasing the competitiveness and profitability of an economic entity. Innovation is materialized in the implementation of new ideas, concepts, marketing strategies or procedures in the new products, services, processes that find a real market outlets-leading to commercial success. Innovation is an activity from which it results a product, good or service, new or significantly improved or a new or significantly improved process, a new method of marketing or a new organizational method in business practices, workplace organization or external relations. Innovation is based on the results of new technologies, new combinations of existing technology or utilization of other knowledge obtained on the enterprise.

Innovation of product (good or service) is the introduction of a good or of a service, with new or significantly improved characteristics or its mode of use (this may include significant improvements in terms of technical specifications, components and materials, incorporated software, ease of use, or other functional characteristics). Innovated products may be new to the market or new only for the enterprise. An enterprise can have product innovation even if it is not new to the market, but it is new for the enterprise, as a result of the diversification of products.

Process innovation represents the implementation of a new or significantly improved production or delivery (these may include significant changes in techniques, equipment and/or software), in order to reduce the unit costs of production and distribution, to improve quality, to produce or distribute new or significantly improved products. Also, a company may have a process innovation, even if it is not the first who introduced the process on the market. [2]

Marketing innovation is the implementation of new marketing methods involving significant changes to the design, the packaging of products, resulting in mark and brand, and to be protected they must be registered at the industrial property office.

Organizational innovation in organizational practice of the firm, in the organization of work and external relations, leading to a reduction of administrative or transactional costs, improve work environment or decrease acquisition costs. In the framework of the principles governing the management of innovation, an important role has the concept of sustainable development in general and, more recently, the concept of green economy. Sustainable development shall designate the

totality of forms and methods of socio-economic development that focuses primarily on ensuring a balance between social, economic and environmental and natural capital. Innovation will play an increasing role in the investigation for ensuring this balance. While initially the sustainable development principle was created to become a solution to the ecological crisis caused by intense industrial exploitation of resources and the continuous degradation of the environment, currently the concept is expanded on the quality of life, economically and socially. At the same time, the concept of green economy consists in improved well-being and social equity, together with the significant reduction of environmental risks and ecological deficit. The transition to a green economy means policies of public and private investment that will shut off the growth of the current consumption of intensive raw materials and energy, boosting incomes and employment through investments that reduce carbon emissions and pollution, increase energy efficiency and efficient use of natural resources.

In the Romanian legislation, law No. 324 on July 8, 2003 for the approval of the Government Ordinance. 57 from year 2002 relating to scientific research and technological development, defines innovation as "the generation, the assimilation and use of research results in the field of economic and social development." The same law defines "product innovation" through the "introduction into the economic circuit of a new product or with some significantly improved features, or to provide new or improved services to the consumer", or a "significant improvement in technologies [...] including improvement of management methods and work organization". Law 324/2003 defines the technology

transfer as “the ensemble of activities with or without a contractual basis, in order to disseminate information, to advise, to transmit knowledge, to acquire machinery and specific equipment for the purpose of introduction into the economic circuit of research results, transformed into commercial products and services”, being the process by which competitive research results end up being used in accordance with the requirements of industrial and commercial activity in social, economic and cultural life; dissemination is defined by transmitting information, experiences and good practices, as well as cooperation in order to promote innovation, to support those who want to create innovative enterprises and to support innovative projects. Absorbing innovation is the capacity of the socioeconomic environment to involve innovation, particularly in enterprises, to use, to turn and to broaden their knowledge about the results of innovation in order to expand the possibility of applying these results into new products, processes or services.

2. Innovation management-principles and examples

The management of innovation was created by Joseph-François Walch and Fernéz Romon (2009) [3] as “ensemble led by an undertaking actions and the choices made in order to promote innovation projects, altered after deciding their launch and achieve commercialization of new products and implementing new processes in the enterprise, in order to increase competitiveness.”

Innovative activities that define the innovative management are characterized by their scientific, technological, organizational,

financial and commercial nature which update or are oriented to lead to the implementation of innovations. Depending on the subject of innovation we have four types of innovation: product or service and process innovation, marketing innovation and organizational innovation. The new products are goods or services that differ significantly from those made previously. The first micro-processors or cell phones were examples of products using new technologies. Significant improvements to existing products may occur through changes in material, components or other features that increase performance. Innovation in services may also include how they are supplied-e.g. insurance services to service a product-if it is the case, the customer will not come to the service provider, but the service provider will pick up the product and will deliver the repaired item within 24 hours. Another example of innovation management is Tata Motors, who managed to create a machine with a minimum number of parts and with an incredible affordable price for the poor families from India- the price of 2500 USD was a unique price for a brand new car, performance reached through the implementation of innovation at all levels: from organizational innovation, product innovation, manufacturing process and marketing chains for sale directly to the consumer.

A success story which meets all elements of innovation management is a tomato farm from Belgium, the most modern complex of greenhouses producing tomatoes, Tomaten-Stoffels. The system used in greenhouse warming and nourishing plant is minimalist, with water and a specially designed engine that produces energy and is powered by water, water which is heated and generate carbon dioxide needed to nourish the plants.

Analyzing market trends and seeing that the Belgians are looking for cherry tomatoes, the company began to grow 6 different varieties of tomatoes: Juanita, Rivolo, Sunstream, Oranje's Star, Blackberry and Summersun. One of the key concepts of the business is the farm exclusivity of tomato plants, permitted to cultivate the variety of cherry tomato Sunstream, an appreciated tomato in Belgium. Another element of innovation that led to the successful business is the short production chain; the producer is negotiating directly with supermarkets, which allows a good price for the goods sold. The market reposition of the business to small varieties of tomato market that is more flavorful and tasty is the latest innovation greenhouse with artificial lighting, where no sunlight penetrates and artificial plants are lit for 16 hours a day. The greenhouse is protected with a special foil, and led lighting helps to control production and to obtain uniform size and color for cherry tomatoes. Another innovative element is that tomatoes grow on coconut cubes that are imported from Sri Lanka, where cloves is planted in these cubes that have in their composition ground coconut and nothing else. In the greenhouse there are used bumble bees to make natural pollination of flowers, and fighting insects and fungi is done with the help of their natural enemies, using only organic substances. Thus, the Belgians from Stoffels have obtained very tasty tomatoes which have high demand on the European market. However, the key factor of success is the quality and the method of packaging technology (consisting of several types of packaging, large packaging is included and a very practical small boxes where parents can put for their children some tomato for school. Another type of packaging is very attractive

for the Belgians ' three color national flag ', for having three colors tomato - black, yellow and red, but mostly the vending machine for tomato cherry, inspired by the vending machine with bubble gum, and also trading at packs of 200-250 grams, for which the price reached in some stores de level of 3 euros. Tomatoes Stoffels can be found in all supermarkets in Europe, in the Netherlands, Germany, Scandinavia, Switzerland and even in Dubai. [4]

Another example of successful innovation management is "Local Food" concept in America, the land of the mammoth agricultural companies, where the "Local Food" means to buy food produced by small producers in the vicinity. Local Food systems have appeared with the Locavore concept -a new American English word locavore, which according to the New Oxford American Dictionary (NOAD) 2007 identifies the person who tries to consume preferably food produced within 100 miles (160 kilometers) around the village. The 100-mile seems somewhat arbitrary set, consumer studies showing that locavores add or subtract tens of miles depending on their personal perception of the neighborhood. There are several methods of purchasing food produced locally, like subscription-based, which starts from just a few dollars and can reach several hundred dollars per month, and in return for which the beneficiary periodically receives at home a "basket" of fruits and vegetables. First quality products mean the freshness of a product; it must be guaranteed to be fresher than a product of the same kind offered by united food industry. Location of producer and consumer gains, market value only if the product is transported from the first to the latter in a very short period of time- namely

in the same day; this is in order to exclude any "delay" in stores or hypermarkets. The second quality is health-a "local" product must be guaranteed healthier than a product of the same kind offered by united food industry. Local Food products must represent an alternative to those of great food industries especially in terms of how to obtain clean food, and the locavore will not consume products that use the products of chemistry and petro chemistry or genetic engineering, which are believed to be harmful for health; he prefers food produced as in the Stone Age. The third is the specificity of the local - a "local" product must offer that unique flavor of the place and offers local varieties. So locavores have created a segment of American agriculture with sales of 1.2 billion dollars according to the agricultural census 2007 (2007 Census of Agriculture)-increasing by over 100% in the ten years from 1997 data reported. The locavores interact with local producers primarily through markets. Canteens of schools and companies, in which parents or employees have applied for the use of local products, fresh products with no "chemicals" or genetic enhancements are a successful medium to promote Local Food products. According to the USDA Agricultural Marketing Service in 2009, 2115 schools had programs to supply for their own canteens ' local food ' by purchasing from small and medium-sized farms in the same district or districts in the same State; this means five times as many as in 2005, when there were only 400 and 1000 times as many as in 1997, when there were only 2. Even hypermarkets have understood this new trend and offers local food products. According to the USDA Agricultural Marketing Service in 2009, 10 of the most important chains of hypermarkets in the United

States have stands dedicated to "local food producers". [5]

3 Innovation and structural funds

The European Union promotes the concept of innovation at the Centre of development strategy for the economic sector, thereby bringing the vision of governing financing instruments through which the public policies are implemented. European programs with funding grants support the management innovations for the entrepreneurship and public institutions and NGOs, through various methods, whether we are talking about innovation in the economic field, the level of social services or public services.

The main instrument of EU funding for research and innovation, as well as the most comprehensive program of the European Union for research and innovation is Horizon 2020. The funding program allocated 80 billion for putting into practice "top new" discoveries -i.e. innovations- made by European laboratories. Horizon 2020 program guarantees that the investment in research is an investment of huge importance, placing it in the center of the Europe 2020 strategy for sustainable economic growth, and favorable inclusion. Combining research and innovation, contribute to the 2020 objectives, putting emphasis on scientific excellence, leadership position in the industry and societal challenges, in order to ensure Europe's ability to produce world-class scientists, to remove the barriers to innovation and facilitate the collaboration of the public and private sectors for the provision of innovative solutions. Besides the private

investments that will attract the program, it will provide the necessary start-up capital and stimulate technological progress and discoveries, facilitating the transposition of innovative ideas into products and services. Horizon 2020 is aimed at increasing international cooperation in the field of research; it is providing researchers from third countries funding opportunities and participation in the program.

In Romania, the program regarding structural funds which deals with research and innovation is the Operational Program Competitiveness 2014-2020. POC started in December 2014 and for research, development and innovation are available 1.58 billion euros. Through this program are financed clusters of innovation, the newly established innovative enterprises, but also startups and spin-offs of innovative enterprises. The main areas funded are: bio economy, information and communications technology, energy, environment and climate change, eco-Nano-technologies and advanced materials. The Operational Program for Competitiveness (POC) supports investment designed to meet the needs and challenges related to the low level of economic competitiveness, particularly with regard to the insufficient support for research, development and innovation. Investments devoted to the strengthening of research, technological development and innovation continue those objectives begun through Operational Program for Increasing Economic Competitiveness 2007-2013. However, the new program aims to stimulate the private sector more in the direction of research and innovation, through partnerships between public and private actors in research and technology transfer and internationalization of the Romanian research

projects. [6] The role of research and innovation can be found in various documents recently approved politically (reform of the CAP, Horizon 2020). Rural development policies are specific instruments and measures to stimulate investment through the transfer of research results and innovation. Innovative projects implemented in European space constitute examples of good practice which should be put into value and multiplied. The PNDR programs conducted by the Ministry of agriculture and rural development in recent years, the funding for intensive and successfully implemented projects have changed, in part, the situation of the rural areas in the case of Romania, where the transition from intensive agriculture, during the Communist period, to the period of the past 25 years put the Romanian village in position to recover considerable delays. The revitalization and repopulation of villages have also the need for innovative elements, as local development. Whether in major cities the concept of brand image, product or promotion of a business are already realities without which no economy can operate, in villages there was still sufficient focus on the role that the realization of a brand and its promotion on the market has in the economic development of an area. Thus, another innovative element are the brands and product brands, created and promoted as unitary elements, leading to an unprecedented development of an area, especially with the help of European funds. [7]

The national programme for rural development is one of the programs that stimulate funding recipients to apply for innovative projects, by increasing funding and the score for those who apply within producer groups or for those that implement

innovative investment Partnership for specific innovation (PEI). Thus, by Measure 16-2014-2020 Cooperation shall assist to facilitate cooperation between the actors involved in rural development, to help overcome their problems and ease typical socio-economic nature related difficulties aiming to business development and provision of services in rural areas. The main objectives are: the marketing of foodstuffs obtained locally, through short supply chains and local markets must become an important component of the agro-food sector from Romania; strengthening and diversifying local food chains from Romania, to be able to respond to consumer preferences and to achieve better market integration of small producers; identify new ways to market a greater volume of products and attracting new groups of users; the development of links between the agro-food and sightseeing with local food supplies. The measure also includes cooperation between farmers, processors, traders, restaurants, retail establishment for accommodation in rural space, as well as partnerships with NGOs, schools in rural areas, public authorities, etc. This measure involves the selection of brokers to innovate through the extent of advisory services, will then launch a session for submission of project ideas and requests for expression of interest (CEI) for financing projects within the sub measures 10.0 and 10.0, and then the partnership (GB) submit detailed project to be evaluated by the managing authority and the paying Agency. Sub-measure 16.1-support for the establishment and functioning of the operational groups, to develop pilot projects, new products, practices and technologies in the sectors of agriculture, food and forestry include: Encouraging innovation,

cooperation and development of the knowledge base in rural areas; Consolidating the links between agriculture, food and forestry production, on the one hand, and research and innovation, on the other hand, including for the purpose of a better environmental managers and an improved environmental performance; Improving primary producers through a better integration in the agro-food chain through quality schemes, of increasing the value added of agricultural products, promoting local markets within short supply circuits, groups and organisations of producers and of inter-professional organisations. Axis support for the funding of cooperation 16.4 horizontal and vertical between actors in the supply chain has the overall objective of promoting cooperation between local actors, with the aim of selling fruit and fruit products through short wool. Type of support is eligible reimbursement or advance payment, provision of bank guarantees or equivalent, corresponding to the percentage of 100% of the advance. Beneficiaries will be given Support for partnerships consisting of at least one partner from categories farmers; Microenterprises and small enterprises; Non-governmental organizations; Local councils; School units, recreational, health and nutrition, and at least one farmer or group of manufacturers or a cooperative that operates in the agricultural sector. The share of non-refundable support is 100% of total eligible expenditure, which ensures an increased interest of potential beneficiaries of the financing for this axis.

Regional operational program 2014-2020 particularly encourages projects that propose innovative investment character. Thus, in the applicant's Guide-special conditions

for accessing funds 2.1. Microenterprises -annex 4- technical and financial assessment, the criterion concerning the innovative character of the proposed investment brings additional score and hence better selection opportunities for innovative projects detrimental to those classics. In this sense, projects tend to be innovative in several ways through innovation, diversification of product; service and process receive additional points, as opposed to those who propose just diversifying the products as a result of realization of the investment, receiving only 1 point. We find a similar situation in the case of projects financed through POR financing facility 2.2 AXIS-Supporting the creation and expansion of production capacities and development of advanced service, where applicant's Guide-special conditions for accessing funds-annex 4-key technical and financial assessment, the criterion concerning the innovative character of the proposed investment brings additional score and hence better selection opportunities for innovative projects detrimental to those classics. In this sense, projects tend to be innovative both through product or service innovation and process additional receive 6 points, as opposed to the classic ones which do not receive any points. An additional measure of this axis of innovative financing for investment promotion is the degree of different financing categories of expenditure type marks, patents, 90% certification unredeemable compared with tangible investments, whose level of funding is between 50% and 70% depending on the region and type of undertaking. Another axis of funding that promotes competitiveness through innovation is POR AXIS 2.1.B, Incubators and accelerators, business incubators for competencies relating to research and development, creating

and supporting innovative enterprises, international cooperation and consulting services for intellectual property rights constitute a criterion for assessing dotted with 20 points in the techno-economic assessment, which makes the only innovative incubators to have a real chance at funding. [8]

4. Conclusions

The managers in Romania are responsible to make the transition as quick as possible from "classic" management to innovative management. This responsibility is not only related to their own company, institution or NGO but also towards Romania. This is because the European programs with funding grants have a vital importance for the Romanian economy. And among the demands laid down by the European Union for granting the funds, we find the principles that define the management of innovation. The European Union places the need to promote innovation at the heart of its strategy for economic development, realizing that in an unprecedented economic competition, innovation is a mandatory condition for survival. The future will belong to companies that will know how to combine product or service innovation, process innovation, marketing innovation and organizational innovation in such a way as to be able to position themselves on a position superior to the competition. Thus, Romanian companies have a real chance to become competitive through innovation management with the help of the structural funds. Their goal is to take advantage of this opportunity through creative ideas and valuable concepts that will lead to successful access to the European and global market.

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The leadership's creativity or the management's innovation?

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Abstract: Human resources management has been always a subject of debate when an organization started to analyze different approaches of reaching goals and fulfill objectives, especially when labour legislation come to discussions from the manager's point of view. By so, ignoring the fact that human resources management has been tackled down by the instruments that has to be offer using knowledge and the special literature in the matter, we should take the opportunity and take a short regard from the personal perspective of the worker, both executive and non-executive, and to see if personal approach of creation is more or less valuable than the innovation of the science. In doing so, we consider proper to use Peter Drucker and Warren Bennis theories, that bring a path to the management and leadership works.

We have to take into consideration that management is a science in the very perspective of the knowledge and by the principles that has to be respected when applied to obtain performance, well – shortly speaking – something that is learned, when the leadership is becoming more and more a science, but with a fresh personal start, taken from the features of one's character that are given by birth or by a strong educa-

tion and model. So, we consider that management – developed as a science, has a more theoretical approach, when leadership has a more personal, abilities related approach.

Everything has to do with the fact that the society, in its continuous search for performance and economical gain, reached to a point where the management had no answers facing the capacity of one individual to be better by using his or hers ability to do things.

By noticing that limit of the science of management and the unlimited individual capacity to bring more and more solutions, we must see what is the very perspective of both human resources management and labour legislation when it comes to create organizational politics for its future progress and development, because we must decide what should we do: choose management's innovation or leadership creativity?

Key words: leadership, management, human resources, creativity, innovation

1. Some considerations regarding the two notions: management and leadership

To reach the goal of the proposed paradigm of the present work, we must firstly analyze the theoretical notions that are used to it. From the very beginning, we took the two words: management and leadership and we added for each of them a characteristic: we put the innovation to the management and the creativity to the leadership. Why have we done so?

The father of the theory of management is Peter Drucker, an Austrian-born who became an American and who is considered the father of present day management theories. "Whether it's recognized or not, the organization and practice of management today is derived largely from the thinking of Peter Drucker", was stated. "What John Maynard Keynes is to economics or W. Edwards Deming to quality, Drucker is

to management."¹ In his approach, Drucker acknowledged that management has to be related to objectives and has also to provide continuous feedback on results². The Peter Drucker theory of management is a series of founding principles that reflect the importance of modern management objectives in today's society. The Peter Drucker theory reflects the significance of organizational environments and the ability of managers to work collectively with their employees to initiate change and progress. Peter Drucker and management are essential to the evolution and growth of today's small and large businesses³. In other words, present management theory is based on Drucker work and the way we put this to practice depends on the way he consider to rule and direct his work.

¹ BusinessWeek reported as such shortly after Peter Drucker's death in 2005, also cited by <http://www.success.com/article/peter-drucker-the-father-of-management-theory>

²See <https://www.toolshero.com/management/management-by-objectives-drucker/>

³ See <https://www.business.com/articles/management-theory-of-peter-drucker/>

His theory begins with the fact that we must see the management from inside, not from outside, that means not from a formal perspective, but through an informal one, and the fact that he inspire such a perspective takes us to the more creative path. "Most books on management are books on the work of management", he stated. "They look at management from the inside. This book starts with the tasks. It looks at management first from the outside and studies the dimensions of the tasks and the requirements in respect to each of them (Part One). Only then (in Part Two) does it turn to the work of the organization and the skills of management, and (in Part Three) to top management, its tasks, its structures, and its strategies."⁴ He also stated that "from the beginning management was polycentric. Management as a discipline and management as a practice were tackled from the beginning by men of many nationalities and races. It was a temporary aberration in the years of the management boom to forget this and to believe instead—against all evidence—that management was an American specialty, if not an American invention. Today it is obvious again that management is polycentric. The management boom has not Americanized management. It has left untouched fundamental national characteristics throughout the world, such important areas, for instance, as the relationship between government and business management, the fundamentals of managing people, or the structure of top management. There surely is no "management gap" today between Western Europe or Japan, and the

United States (if there ever was one).⁵ So, the author considers the national and local pattern in constructing the management theory, as influential in the way the theory is put into practice.

As we can see, the first approach was supposed to tackle the management from a more creative perspective. It was till the management was regarded as professional, as Drucker assumes: "we further know that management is independent of ownership, rank, or power. It is objective function and ought to be grounded in the responsibility for performance. It is professional— management is a function, a discipline, a task to be done; and managers are the professionals who practice this discipline, carry out the functions, and discharge these tasks."⁶ From this point of view, management went to the path of innovation, reducing the creativity component to the limits of the quantity, as objectives are mostly based on that. Furthermore, when it comes to deep analysis, taking into consideration the main characteristic issues of the management, keeping in mind new researches that were made, we must notice that it has to do with the capacity of doing the things right, when leadership has to do with the capacity of doing the right things.⁷ Considering management practice from a professional point of view, we consider that Drucker put the things to the formal way, as national laws regarded occupational right strictly bounded by the formal training and schooling, where a formal professional right is obtained.

⁵ Idem.

⁶ Idem.

⁷ See <http://guides.wsj.com/management/developing-a-leadership-style/what-is-the-difference-between-management-and-leadership/>

⁴ <http://www.icmbpl.com/Management%20%20Tasks,%20Responsibilities,%20Practices%20by%20Peter%20Drucker%20e%20book.pdf>

But, regarding the way a formal professional status is acquired, we must take into consideration that national systems of schooling and training are based - mostly of them - on learning, in other words, learning the theoretical notions, the abilities are also learned and put into practice once the studies are graduated. The management – as a discipline – lacks in stimulating and creating the ability to inspire. As Mark Sanborn said, stating the 9th differences between management and leadership, managers have employees - leaders win followers, managers react to change - leaders create change, managers communicate - leaders persuade, managers direct groups - leaders create teams, managers exercise power over people - leaders develop power with people.⁸

In this respect, we must see that the difference between management and leadership comes from the personal pattern, as we consider that management – developed as a science, has a more theoretical approach, when leadership has a more personal, abilities related approach. Management as a theory is put into practice: leadership, as a personal mark trade is something that is hardly learned, than is more personal character related. That's why managers usually are formally nominated, but leaders are informally created, by their own powers and abilities. That's why, we consider in the present work that management is more innovative related and leadership has a more creative related.

As Warren Bennis said in his seminal 1989 work "On becoming a leader", "leadership is often confused with other things, specifically management. But management requires an entirely different set of skills. As

I see it, leadership revolves around vision, ideas, direction, and has more to do with inspiring people as to direction and goals than with day-to-day implementation. One can't lead unless he can leverage more than his own capabilities. You have to be capable of inspiring other people to do things without actually sitting on top of them with a checklist-which is management, not leadership"⁹.

In "11 Ways to Define Leadership", Jennifer Post, a Business News Daily Contributor¹⁰ consider that basically the leader has the ability to establish a following among other individuals or teams. Although Mrs. Post's work begins with the pursuit of bettering your environment as a first tag to leadership, we do notice that a strong feature of this item is the open, authentic and positive influence that gives people the tools to succeed and helps them to achieve the impossible.

Of course, some authors consider that "leadership and management must go hand in hand" as Dr. Manoj Kumar Sharma and Shilpa Jain are stating in their work, Leadership Management: Principles, Models and Theories. Also, the authors consider that "they (and here means leadership and management) are not the same thing. But they are necessarily linked, and complementary. Any effort to separate the two is likely to cause more problems than it solves. Still, much ink has been spent delineating the differences. The manager's job is to plan, organize and coordinate. The leader's job is to inspire and motivate".¹¹

⁹ See http://cclp.mior.ca/Reference%20Shelf/PDF_OISE/Bennis.pdf

¹⁰ee <http://www.businessnewsdaily.com/3647-leadership-definition.html>

¹¹ https://www.ripublication.com/gjmbs_spl/gjmbsv3n3spl_14.pdf

⁸ See also <https://www.marksanborn.com/9-differences-between-managers-and-leaders/>

2. Institutional and organizational approach from the labour point of view

Taking all those into consideration, must we choose a path (management innovation or leadership creativity)? Or are there other ways to combine multiple solutions in order to gain progress and productivity? That's because organizations could face the need to choose between management and leadership.

By applying management or/and leadership theories into practice, we must see that most organizations are activities based on human resources rules. Human resources rules are the ones to determine if one way or another is stimulated inside the organization, depending on the way the general management is overlooking the roles and contributions. Some of them will consider the role of management as more important, and some of them the role of leaders as more constructive. So, what should be done, stimulating management and its innovative part, or leadership along with its creativity?

Nevertheless, the human resources rules are based on labour legislation, which has a very national pattern.

Drucker stated that "the second task of management is to make work productive and the worker achieving. Business enterprise (or any other institution) has only one true resource: man. It performs by making human resources productive. It accomplishes its performance through work. To make work productive is, therefore, an essential function. But at the same time, these institutions in today's society are increasingly the means through which individual human beings find their livelihood, find their

access to social status, to community and to individual achievement and satisfaction. To make the worker achieving is, therefore, more and more important and is a measure of the performance of an institution. It is increasingly a task of management. Organizing work according to its own logic is only the first step. The second and far more difficult one is making work suitable for human beings—and their logic is radically different from the logic of work. Making the worker achieving implies consideration of the human being as an organism having peculiar physiological and psychological properties, abilities, and limitations, and a distinct mode of action. It implies consideration of the human resource as human beings and not as things, and as having—unlike any other resource— personality, citizenship, control over whether they work, how much and how well, and thus requiring responsibility, motivation, participation, satisfaction, incentives and rewards, leadership status, and function. Management, and management alone, can satisfy these requirements. For workers, whether machine tenders or executive vice-presidents, must be satisfied through their achievement in work and job—that is, within the enterprise; and management is the activating organ of the enterprise"¹².

Nevertheless, in his work *What is Leadership?* Dave Ulrich considers that "General Managers are the owners of their company's leadership, and HR professionals are the architects. When they work together, they can ensure that quality of leadership delivers sustainable value" and that "answering the question, "what is leadership," starts

¹² <http://www.icmbpl.com/Management%20%20Tasks,%20Responsibilities,%20Practices%20by%20Peter%20Drucker%20e%20book.pdf>

by understanding what leaders are trying to accomplish – their results. Results may be inside (e.g., employee productivity, organization agility) and outside (customer share, investor confidence, or community reputation). We often ask leaders to shift thinking from attributes to results by answering the “so that...” question. Leaders need a vision so that customers buy more products or investors increase their confidence. Leaders need to be authentic so that employees have increased trust in the leaders and are more productive or communities improve their image of the organization. Likewise, leadership development for its own sake might be an enjoyable diversion unless it builds leaders who get results consistent with the organization’s purpose. HR professionals who consistently ask, “so that,” ensure that what they do delivers value.”¹³

In Romanian legislation, the one who organizes the activity in the enterprise is the employer¹⁴. As a result of his right to organize the enterprise’s activity, the employer has the right to determine the attributions and the tasks of the employee in the job description and to decide the positions creation. By doing so, it is the right of the employer – see here the general manager – to limit or not the powers of an employee, who could have the abilities of a leader, by limiting the capacity of exercise creativity and the right to interfere and to inspire others, outside the managerial frame. “Creativity is a leadership quality that should be an essential part

of the job description”¹⁵ states Bill Klemm in his work *Leadership and creativity*, and he is not limiting that principle to the formal management. “When the organization establishes its strategy and work processes, the leaders direct the implementation that brings it to accomplishment” says Emanuel Agbor, in his work *Creativity and Innovation: The Leadership Dynamics*¹⁶. In the same work, the author states that “many companies who have undertaken reengineering initiatives have failed because of the lack of creative and effective leadership to manage the process. This shows that management tools alone cannot ensure organizational creativity that leads to innovation, effectiveness, and success. Organizations need creative and effective leadership to help the management tools work.” In this respect, the author considers that “organizations need creative and effective leadership to manage the implementation of the strategy and encourage innovation in the organization”.¹⁷

As a conclusion, we must state that between the innovation of management and the creativity of the leadership we must choose the latter one when developing policies are under discussions. Although the management and leadership should be strongly related, the informal part of the latter brings a sort of difference that makes possible the rise of the number of solutions. When informal leaders are coming into stage, the capacity of the organization to implement developing policies is strongly improved.

¹³ See https://michiganross.umich.edu/sites/default/files/uploads/RTIA/pdfs/dulrich_wp_what_is_leadership.pdf

¹⁴ See article 40 par. 1, let. A) in Romanian Labour Code – Law 53/2003.

¹⁵ See http://link.springer.com/chapter/10.1007/978-3-319-31036-7_15

¹⁶ Available on http://www.regent.edu/acad/global/publications/jsl/vol1iss1/JSL_Vol1iss1_Agbor.pdf

¹⁷ Idem

“Organizational leadership is the most important aspect of the organizational creativity and innovation dynamics. No organization

can transform or renew itself unless the leaders put the process in motion and sustain it.”

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Social Market Economy and Sustainable Development

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Abstract: This paper emphasizes the fact that it is necessary to ensure a balanced use of principles harmonizing all factors of production in order to provide sustainable economic development based on them. In general, economic development means improving the systematic, lasting and wide mass of the material conditions of life, representing the consumption conditions: food, clothing, housing, housing facilities, transport, communications, access to services and others. Such a common approach is adequate as it correctly expresses people's expectations, as consumers in economy. However we can define economic development as a process resulting in the systematic growth of labour productivity or - given the circumstances in which the number of employers (or job providers) increases - the increase of the number of productive jobs. This approach does not contradict the first one; on the contrary: the systematic improvement of economic living conditions is not possible without the growth of labour productivity. The advantage of the second approach is that it refers to the most important force leading to the improvement of the living conditions for people as consumers and it forces us to consider phenomena this force depends on.

Social market economy, an expression of Ordoliberalism¹, (“Soziale Marktwirtschaft”) has turned from a “theoretical paradigm”² (“Ordnungstheorie”)³ into public policy („Ordnungspolitik”); afterwards it has become an economical system which influenced Germany’s development after World War II.

Pressured by Marxism on the one hand and Keynesianism on the other hand, Germany chose in 1949 a “regulatory policy” which sought to combine, based on a competitive economy, “free enterprise and social progress” (Alfred Müller-Armack). This is the description of social market economy.

Social market economy is not “the third way” because Ordoliberals have not made concessions to socialism; however, it is neither a combination of liberalism and Keynesianism⁴, nor laissez faire.

Population aging is a phenomenon that should be considered when analysing demographic development because it affects economic development as well. Therefore reforming public pensions, health and long-term care for the elderly is to be considered. The speed of this process is also important because when the share of elderly in total population increase in a short period of time, it becomes difficult for the relevant institutions to adapt rapidly.

Keywords: *economic development, social economy, sustainability, demography*

¹ German Neoliberalism.

² Viktor J. Vanberg: The Freiburg School: Walter Eucken and Ordoliberalism, Freiburg Discussionpaper on Constitutional Economics, Institut für Allgemeine Wirtschaftsforschung, Albert-Ludwigs-Universität Freiburg, April 2011, page 9

³ For Hayek, Ordnungstheorie / theoretica order and Ordnungspolitik / political order are the order of rules and the order of actions.

⁴ At least until the 60’s when the social-democrats took the power.

Introduction

The concept of sustainable development has crystallized in time, over several decades, in the context of thorough international scientific debate; it received precise political meaning in the context of globalization.

In recent history, the first signal showing that the economic and social developments of the countries of the world and of humanity in general can no longer be separated from the consequences of human activity on the natural environment was made in the 1972 report of the Club of Rome entitled Limits to Growth (Meadows Report).

Data on the evolution of the five factors (population growth, the impact of industrialization, effects of pollution, food production and depletion of natural resources) were synthesized in this document, suggesting the conclusion that the development model used in that period could not be sustained on long term.

The issue of the relationship between mankind and environment has been concerning the international community since the United Nations Conference on Environment (Stockholm, 1972) and was materialized in the work of the World Commission on

Environment and Development, established in 1985.

The report of the Commission presented in 1987 by G. H. Brundtland and entitled "Our Common Future" offered the first broadly accepted definition of sustainable development as the "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs".

The concept of sustainable development suggests an integrated approach of policy and decision factors in which environmental protection and long-term economic growth are seen as complementary and interdependent.

From this point, the complex issues of sustainable development acquired a global political dimension being addressed at the highest level at the World Conference on Environment and Sustainable Development in Rio de Janeiro (1992), during the Special Session of the UN General Assembly and adoption of Millennium goals (2000) and the World Conference on Sustainable Development held in Johannesburg (2002).

Thus concrete programs of action at global and local level were developed (The Local Agenda 21) according to the principle "think globally, act locally".

For Romania, as a member of the European Union, sustainable development does not represent one possible option, but the only rational prospect for national becoming, resulting in the establishment of a new development paradigm at the confluence of economic, social and environmental factors.

1. Components of economic development

In order to achieve the objectives set, the content is binding on all Member States. Precise procedures regarding implementation, monitoring and tracking are required as well, with periodic reporting obligations on the commitments (e.g. every two years).

Eventually, the economic development involves a number of basic factors and barriers which determine the pace of economic development of each country.

In general, economic development means improving the systematic, lasting and wide mass of material living conditions or conditions regarding consumption: food, clothing, housing, housing facilities, transport, communications, access to various services, and others.

A common approach of this kind proves to be suitable, because it correctly expresses the people's expectations as consumers in economy. Economic development can also be defined as a process resulting in the systematic growth of labour productivity and - if the number of employers also increases (or the number of providers of employment) – the increase of the number of productive jobs. The systematic improvement of economic living conditions is not possible without an increase of labour productivity. The advantage of the second definition is that it refers to the most important force able to lead to improving the living conditions of people as consumers and it forces us to consider phenomena this force depends on.

In other words, it forces us to consider the factors on which the pace of economic development depends on.

For Romania, economic development is an imperative. Firstly, because we have

to recover from decades of backwardness. Secondly, because a significant number of young people in search of jobs will enter the labour market the next years. Thirdly, economic development is necessary so that the country's due foreign debt no longer represents such a heavy burden.

Next we shall indicate several dimensions of the economic development, in a first main approach of the issue; four groups of economic development pace indicators are emphasized:

- a. the initial level of development (given as example by the income per capita), or the existing level when starting to determine the pace of development;
- b. human capital, or education and professional training of people;
- c. the domestic economic conditions, or the economic structure;
- d. the external economic situation.

The last three factors must relate to the period for which one determines the pace of economic development. This rate is the result of various interactions between the four groups of determinant factors, out of which we will mention some.

The initial level of development is essential for the further development.

Backwardness contains some resorts of acceleration - countries with low development level can have a faster pace than the rich ones. Firstly, a country lagging behind can use - institutionally and technologically - the solutions already found by the more developed countries and can also learn from the failures and mistakes of richer countries; this element is as important as the first one. Secondly, countries with economic disparities always have an outdated economic structure - most people work in low productivity

areas, but there are various possibilities to transfer resources to more productive areas. The third factor is specific to the former socialist countries, namely a well-trained human resource or inclination to ongoing training, which is an asset to the market economy system.

Human capital is potentially one of the preconditions for faster economic development. Trained and well trained people can quickly assimilate new methods to use innovations and thus become more productive.

However, there is no automatic correlation between the level of training and the pace of economic development⁵, which should not surprise us, because chances and how people can use their own level of training heavily depends on the structure of domestic economy. In socialism, people had a high level of training, but the system did not allow them to use appropriate knowledge and skills.

Therefore productivity grew slowly and therefore economic development was still slow. In a competitive capitalist system, a similar level of training would have ensured a faster growth in productivity, which would have resulted in the improvement of the living conditions.

Countries, like people, often justify their repeated failures by external causes. The so-called dependency theory was fashionable until recently, especially for the left wing supporters in Western and Latin American countries; it explains the slow pace of developing countries in the area at a given time by the hegemonic capitalism of the United

⁵ The lack of such connection is clearly proved by the American economist Robert J. Barro (1991) - Economic Growth in a cross section of countries, in *Quarterly Journal of Economics*, pages 408-444.

States.

But dependency theory turned to be false. Those countries that have failed to achieve the bold economic reforms, changing domestic economic conditions, began to develop faster than others.

A real dependency occurs when, subsequent to external domination, a bad economic system – i.e. one that prevents development – cannot be replaced with a better one.

2. The Ordoliberal economic theory, a prerequisite for balanced economic growth

This theory crystallized in the mid 30's, around a group of economists and legal advisers⁶, catalysed by Walter Eucken, an economist with the University of Freiburg; it was the response to the German Historical School of economics and the organizational system of the German economy during Weimar and the Nazi rule.

The cultural and political context was hostile. Unified Germany had not embraced liberalism. On the contrary. After Bismarck's takeover, German economic policy encouraged corporatism. The combination of state - industrial concerns become the key to the development of national industry over the next 60 years, which led to cartelization of economy, thus stifling any form of competition, supported by a paternalistic, interventionist and protectionist state.

As a result of the Treaty of Versailles, the political mechanism was damaged,

⁶ At the beginning the group was formed by two legal advisers: Franz Böhm and Hans Großmann-Doerth and an economist: Walter Eucken. After the war others joined the group: Wilhelm Röpke, Alexander Rüstow, Alfred Müller-Armack, Ludwig Erhard, although the last is the politician who put into practice the ordoliberal ideas.

sliding towards dictatorship against this background and given the burdensome economic obligations imposed on Germany in the 20's and the 30's.

Ordoliberalism was not ad hoc; it represents the result of a long period of reflection and research in which liberal economists and legal advisers managed to create synergy.

In their writings, the Ordoliberals, particularly Walter Eucken, seek to explain why it is necessary to rebalance the relationship between the state and the market, where free market has a central role in individual liberty within a default institutional setting, in opposition to what the representatives of the German Historical School, especially Gustav von Schmoller, had built theoretically.

Throughout the nineteenth century and at the beginning of the twentieth century, the German Historical School of Economics had demonstrated that economic and cultural institutions were the result of a historical process. Therefore, according to the German Historical School, the economic phenomenon is decisively influenced by the development of institutional and a cultural context (Schmoller).

It is an institutional perspective, yet different than that of Thorstein Veblen⁷, for instance.

The German Historical School does not build an economic theory in itself, as it rejects this idea, because it assumes that the economic analysis has historic specificity. As such, an economic approach corresponds to each historical period.

Therefore, the German Historical School is based on the description of the historical

⁷ Schmoller uses the hystorical analysis to explain the economic phenomenon, whereas Thorstein uses sociology in his research on the economic phenomenon.

phenomenon (economy is also considered this way), namely on what Carl Menger called “empirical realism”.

German Historical School is strongly influenced by the “rational state” and the “universal spirit” (Geist) of the Hegelian philosophy.

From the perspective of this school, history is the transformation of the universal spirit which develops in institutions, religion, art, science. Therefore, “world history is only the development of universal reason”. Following the same perspective, “All that is rational is also real and what is real is rational” (Hegel). Real can be found in order. The state should be understood the same way, as being rational in itself, above the individual’s morality and abstract law.

For the German Historical School, history must solve the conflict between objective individual freedom and state, being a movement of the universal spirit. History as a process of development of the universal spirit occurs through individuals which are part of the whole.

Moreover, by means of historical investigation, Gustav von Schmoller focused on the real causes that established the oneness between man/actor with the whole which it belonged to, according to Hegelian philosophy.

By this approach, Schmoller opposed the spontaneous order of economy organization advocated by Carl Menger (the Austrian School) and economic research on individual behaviour.

Moreover, Schmoller focused on state and supported interventionism, as opposed to liberalism and socialism which he both rejected.

So there are at least two aspects influencing Ordoliberalism.

On the one hand, the Hegelian philosophy on the state and the relationship between the individual and the State dominating the German Historical School concept, which gained economic and political stake, especially in the 30’s of the twentieth century.

On the other hand, one must mention the methodological dispute in 1883 (“Methodenstreit”) between Schmoller, the representative of the German Historical School and Carl Menger, the liberal representative of the Austrian school which influenced the German economic thinking. Naturally, this dispute between Schmoller and Carl Menger, namely between economic history (German school) and economic theory (the Austrian school) is not relevant in terms of methodology.

This paper focusses on how each of the representatives of the two schools considered economics and state (social state / “Sozialstaat” in Schmoller’s view versus human motivations and social interaction in Carl Menger’s view) and how this dispute influenced the evolution German economy and the emergence of Ordoliberalism for 60 years.

Unlike the Hegelian German Historical School of Economics, the Ordoliberals find support in Edmund Husserl’s phenomenology of partly in the Austrian School’s economic theory.

The Ordoliberals cause such a rupture in the German economic thinking, building a “theoretical / ordo system” (“Ordnungstheorie”) of liberal inspiration and giving another meaning to the concept of “political order” (“Ordnungspolitik”).

In his lectures focused on power analysis held the College de France between 1978 and 1979, the French philosopher Michel Foucault examined Walter Eucken’s

phenomenological orientation in Husserl's terms, who was a professor at Freiburg ⁸.

However, there is no extensive research in this regard, to better understand the influence of Husserl's view on the Ordoliberal group especially on Walter Eucken, who established the benchmarks of Ordoliberal theory.

On the other hand, it did not seem that Ordoliberals entirely rejected the Hegelian philosophy, since it developed the idea of State based on which the rules of the economic game were carried out.

As for the influence of the Austrian School, the Ordoliberals learned Manger's lesson. They built a liberal economic theory ("Ordnungstheorie"), but different from the English classical liberalism as it brought into balance the state - individual relationship.

In the Ordoliberals' view, the state does not monitor the market, being instead the market regulatory tool. The state must be strong without becoming totalitarian and without any direct intervention in the economic process. For the Ordoliberals, a strong state means the use of limited resources such as to ensure economic order. State "is not the tool of private interests, but the guarantor of order and competition"⁹.

⁸ There is an interesting research on this subject published by Nils Goldschmidt with the Walter Eucken Institute, entitled: The Philosophy of Social Market Economy: Michel Foucault's Analysis of Ordoliberalism, Freiburg Discussion Papers on Constitutional Economics, July 2004, Albert-Ludwigs Universität Freiburg.

⁹ Goldschmidt, Nils: The Philosophy of Social Market Economy: Michel Foucault's Analysis of Ordoliberalism, Working Paper, Freiburg discussion papers on constitutional economics, No. 07/2004, pag.8-9, University of Freiburg, Department of Economic Policy and Constitutional Economic Theory.

The state must ensure individual freedom through economic order as well. And the objective of "order" is to "guarantee the people's inalienable right to freedom" (Eucken).

For the Ordoliberals, "the essence of the market economy is in the order of free competition, where all economic agents legally and equally meet and where the voluntary exchange and the volunteering contract are the only means by which economic activities are coordinated" (Franz Böhm 1937)¹⁰.

The Ordoliberals consider competitive market economy as representing "constitutional order", by offering individuals coordination preferences and resource allocation decisions. This coordination can be achieved by private actors, companies, trade unions, banks, without the interference of public management. This constitutional order opposes the order of privileges, in which individuals are subject to political decisions and in which the preferences of some are subordinated to others's preferences¹¹.

This is what opposes Ordoliberalism to the vision of the German Historical School of Economics, considering the economic reality

¹⁰ Victor J. Vanberg quotes Böhm, F. 1937 - Die Ordnung der Wirtschaft als geschichtliche Aufgabe und rechtsschöpferische Leistung. Stuttgart and Berlin: W. Kohlhammer (Vol. 1 of Ordnung der Wirtschaft ed. by F. Böhm, W. Eucken and H. Großmann-Doerth).

¹¹ Radu Cristescu, Valentin M. Ionescu, Thomas Kleininger, Nicolae Mardari, Costea Munteanu, Mihail Neamțu, Wienfried Senker, Florin Sari, Radu Simandan: Ordoliberalismul și economia socială de piață: Schița unui proiect de reformă a societății românești (Ordoliberalism And Social Market Economy: Drafting A Reform Of The Romanian Society), Bucharest, 2011, Konrad Adenauer Stiftung Romania, page 7

of the interwar period, dominated by the relationship state - corporations and cartels.

So, the key to understanding the Ordoliberal approach is an element related to the concept of "economic constitution" that ensures the order upon which the rules of the economic game occur.

The Ordoliberals distinguish between the economic order, seen as the institutional framework in which economic activity occurs and processes which are the main private actors' transactions¹². The Ordoliberals focus on economic order and oppose any intervention in economic processes.

Therefore Ordoliberalism aims at regulating the market functions so as not to directly intervene in the market¹³.

In 1937, in the first volume of "Ordnung der Wirtschaft" (The Economic Order) entitled "Our Task" ("Unsere Aufgabe")¹⁴, Walter Eucken and Franz Böhm Hans Großmann - Doerth dispute Gustav von Schmoller's influence on the German Historical School's economic policy and the German law; they claim that the approach of the "political and economic issues and political and legal issues must be influenced by the idea of economic constitution".

¹² Umut Devrim Özbideciler: Social Market Economy: An Inquiry into the theoretical bases of German Model of Capitalism, Thesis, The Department of European Studies, Middle East Technical University, Ankara, sep.2003

¹³ Umut Devrim Özbideciler: Social Market Economy: An Inquiry into the theoretical bases of German Model of Capitalism, Thesis, The Department of European Studies, Middle East Technical University, Ankara, sep.2003.

¹⁴ EUCKEN, Walter, GROßMANN-DORTH, Hans, BOHM, Franz: Unsere Aufgabe, Ordnung der Wirtschaft, 1,1937.

For Ordoliberals, the economic constitution is the institutional framework ¹⁵/order, subject to constitutional choice"¹⁶.

From this perspective, the Ordoliberals reject the idea of "pure spontaneous order" ("catallaxy") mentioned by Hayek.

In fact, for the Ordoliberals, spontaneous order itself must not be rejected, but the market cannot be left exclusively to the spontaneous forces, in order to avoid the risk of legitimizing private power and its prevalence over the state.

The very idea of economic constitution is incompatible with such a spontaneous order. For the Ordoliberals, economic order is ensured through the rule of law and the dominance of formal rules.

This way, the economic order prevents any public or private concentration of power.

In 1940, Walter Eucken pointed out: "The issue will not be solved just by allowing our economies to grow spontaneously. The history of the century showed this quite clearly.

The economic system must be consciously made. The detailed issues of the economic policy, trade policy, credit, monopoly or fiscal policy, or of companies, bankruptcy law, are part of the big problem of how the entire economy, national and international,

¹⁵ The institutional framework comprises regulations/norms, "informal conventions and traditions governing the economic activity within communities" (W. Eucken)

¹⁶ Viktor J. Vanberg: The Freiburg School: Walter Eucken and Ordoliberalism, Freiburg Discussion papers on Constitutional Economics, 04/2011, University of Freiburg, Walter Eucken Institut, Freiburg, page 5

and its rules must be shaped" ¹⁷.

The Ordoliberals oppose economic privileges by means of which the state establishes relations with private actors. The privilege is not just the result of power relations¹⁸ but also a form of inefficient allocation of resources leading to social inequalities. On the other hand, Ordoliberalism opposes to the legitimacy of private power because such a relationship weakens the state, distorting its legal functions. Moreover, Ordoliberalism appeared in response to the existence of cartels and economic privileges which vitiating the operation of the German state in the interwar period.

Ordoliberals argue that the competitive market economy "provides a decentralized mechanism coordinating preferences and decision making"¹⁹. Competition can

only exist in "open markets" (constitutive principle) "with freedom of trade" to avoid monopolistic practices. ²⁰ To this end, in contrast with the German Historical School, the Ordoliberals are in favour of closing the private/commercial barriers (Eucken).

While presenting the constitutive principles published in 1950, Eucken emphasized the importance of the price mechanism in a competitive environment. Prices convey information in the market which allow efficient allocation of resources provided to form freely.

At the same time, any "intervention regarding prices cannot correctly target solving a social problem, so that those who do not need social assistance will receive intervention"²¹.

Therefore, social issues are answered in revenue, not in pricing.²².

¹⁷ Walter EUCKEN, *The Foundations of Economics. History and Theory of Economic Reality*, London, Edinburgh, Glasgow 1950, p. 314 Titlul in lb. germană : *Die Grundlagen der ationalökonomie*, Jena, 1940.

¹⁸ Radu Cristescu, Valentin M. Ionescu, Thomas Kleininger, Nicolae Mardari, Costea Munteanu, Mihail Neamțu, Wienfried Senker, Florin Sari, Radu Simandan: *Ordoliberalismul și economia socială de piață: Schița unui proiect de reformă a societății românești (Ordoliberalism And Social Market Economy: Drafting A Reform Of The Romanian Society)*, Bucharest, 2011, Konrad Adenauer Stiftung Romania, page7

¹⁹ Radu Cristescu, Valentin M. Ionescu, Thomas Kleininger, Nicolae Mardari, Costea Munteanu, Mihail Neamțu, Wienfried Senker, Florin Sari, Radu Simandan: *Ordoliberalismul și economia socială de piață: Schița unui proiect de reformă a societății românești (Ordoliberalism And Social Market Economy: Drafting A Reform Of The Romanian Society)*, Bucharest, 2011, Konrad Adenauer Stiftung Romania

²⁰ Rudolf Richter: German „Ordnungstheorie“, From the Perspective of the New Institutional Economics, *Ordnungstheorie* 13 - 30.03.2011, Universität des Saarlandes, Saarbrücken, pag.10

²¹ Ulrich van Suntum, Tobias Böhm, Jens Oelgemöller and Cordelius Ilgmann: *Walter Eucken's Principles of Economic Policy Today*, CAWM Discussion Paper No. 49, August 2011, Centrum für Angewandte Wirtschaftsforschung Münster, No. 49, Leibniz Information Centre for Economics, Provided in Cooperation with: Center of Applied Economic Research Munster (CAWM), University of Münster ,pag. 12

²² Ulrich van Suntum, Tobias Böhm, Jens Oelgemöller and Cordelius Ilgmann: *Walter Eucken's Principles of Economic Policy Today*, CAWM Discussion Paper No. 49, August 2011, Centrum für Angewandte Wirtschaftsforschung Münster, No. 49, Leibniz Information Centre for Economics, Provided in Cooperation with: Center of Applied Economic Research Munster (CAWM), University of Münster ,pag. 12

Moreover, Eucken is “convinced that supporting competitive prices leads to market balance”²³.

Free price formation should be supported by the principle of monetary stability. In this respect, Eucken supports the tight control of the money supply with a correlative control over the demand for money through the central bank.

Eucken’s fixation on the price theory and the control of the monetary mass in a competitive market, aims not only at an economic purpose, but also at a political one related to power control.²⁴

Private property is another constitutive principle of Ordoliberalism, as it is a prerequisite for a competitive economy which provides decentralized allocation of resources and constitutes a “guarantee against political and economic monopoly”.²⁵

²³ Rudolf Richter: German „Ordnungstheorie“, From the Perspective of the New Institutional Economics *Ordnungstheorie* 13 - 30.03.2011, Universität des Saarlandes, Saarbrücken, pag. 9.

²⁴ Rudolf Richter: German „Ordnungstheorie“, From the Perspective of the New Institutional Economics *Ordnungstheorie* 13 - 30.03.2011, Universität des Saarlandes, Saarbrücken, pag. 8. Richter writes in his article about “power control by competitive prices”. Furthermore, we extend the idea considering the ordoliberal’s reaction to the German cartels and to the relationship between industrial corporations and the political power.

²⁵ Radu Cristescu, Valentin M. Ionescu, Thomas Kleininger, Nicolae Mardari, Costea Munteanu, Mihail Neamțu, Wienfried Senker, Florin Sari, Radu Simandan: *Ordoliberalismul și economia socială de piață: Schița unui proiect de reformă a societății românești (Ordoliberalism And Social Market Economy: Drafting A Reform Of The Romanian Society)*, Bucharest 2011, Konrad Adenauer Stiftung România, page 8.

Private property is the “essence of freedom”²⁶ and derives from the division of power and institutional arrangement (constitutional order).

In the Ordoliberals’ view private property is not the expression of the natural right, as with the Austrian School or classical liberalism. This approach is part of the way in which the Ordoliberals understood how to deal with abuse of private power, manifested by forming monopolies.

The exercise of private property and allocation of resources imposes regulation of contractual freedom (constitutive principle) under the condition of competitive forces on the market so that monopolistic agreements are not allowed. Therefore, contractual freedom can only be responsibly exercised (principal responsibility) so as not to affect others’ rights. At the same time, responsibility for contractual relations imposes accomplishing one’s commitments, so as to ensure confidence in all future actions and social control mechanism is not altered. Consequently, contractual freedom is exercised under the constraint of individual responsibility and of the “constitutional state (Rechtsstaat) which must protect its citizens not only from the coercive force of the government but also from

²⁶ Ulrich van Suntum, Tobias Böhm, Jens Oelgemöller and Cordelius Ilgmann: *Walter Eucken’s Principles of Economic Policy Today*, CAWM Discussion Paper No. 49, August 2011, Centrum für Angewandte Wirtschaftsforschung Münster, No. 49, Leibniz Information Centre for Economics, Provided in Cooperation with: Center of Applied Economic Research Münster (CAWM), University of Münster, page 12

other citizens' arbitrary actions"²⁷.

The constituent principles of Ordoliberalism define economic constitution/economic order and its interdependence with the political and social order. In this sense the individual's freedom in the

²⁷ Rudolf Richter: German „Ordnungstheorie“, From the Perspective of the New Institutional Economics, Ordnungstheorie 13 - 30.03.2011, Universität des Saarlandes, Saarbrücken, pag.10

economic freedom is not only “economic liberty”, but also means political freedom.

The constitutive principles of Ordoliberalism are expressed in some regulatory principles comprising political action (Ordnungspolitik) and defining economic order: antitrust policy, income policy, correcting externalities as well as correcting anomalies on the labour market.

Table no. 1 Constitutive principles of Ordoliberalism

Constitutive principles	Regulatory principles
Price system	Antitrust policy
Monetary order	Income policy
Open markets	Correcting externalities
Private property	Correcting abnormalities on labour market
Contractual freedom	
Personal responsibility	
Continuity of economic policy	

Therefore it is important to emphasize that:

The Economic Ordoliberal theory was built in response to the German Historical School of Economics, so that it becomes an alternative to the organization system of the German economy during the Weimar Republic and during the Nazi ruling.

The Ordoliberals opposed to cartels in the German economy and the relationship between the state - corporations, both for economic reasons, if we consider the critics of privileges and of the inefficient distribution of resources as well as from political reasons.

The Ordoliberals have considered state interventionism and the state-corporate

relationship as the main source of institutional weakness in Germany, which led to dictatorship.

Ordoliberalism redefined the essence of market economy based on principles ensuring free competition, so that the state no longer plays the main role in the supply-side policy.

The Ordoliberals do not totally reject the economic thinking of the German Historical School, which inspired the social system. Schmoller and Wagner, representatives of the Historical School, played a leading role in the construction of the German social security architecture in the last half of the nineteenth century, which was not rejected by the Ordoliberals when they drafted the economic

policy of post-war Germany.

Although Ordoliberalists categorically opposed to state interventionism, it did not accept the idea of the minimal state and *laissez-faire* of Austrian School and the liberal English classicism.

The Ordoliberals considered that the state had to be strong so as to shape the market (Marktkonform), but without intervening in the economic process.

By giving another meaning of the concept of "order" the Ordoliberals mark the difference between state intervention on the economic process and securing the institutional framework in which such economic processes occur. Such an approach, however, is unacceptable to the Austrian School, which considered that market operated on the basis of "spontaneous order".

On the other hand, Ordoliberalism promotes a supply-side policy, just like in the German tradition, but based on decentralized allocation of resources.

3. Human capital and aging of Romanian population

As shown, human capital has an important role in any economy; as it happens in most European countries, Romania also faces intricate economic and social consequences of its populations undergoing a slow, but continuous aging process. Since 2000, the effects of aging have been felt in Romania, where the elderly population outnumbered the young population; the phenomenon gains a larger extent so that on January 1, 2012, the share of elderly population²⁸ exceeded the share of young population (16.1% versus 15.8%)²⁹.

²⁸ 65 years old and over

²⁹ 0-14 years

We can enumerate among the important factors the economic and social conditions in which new families form and develop, the precarious health system resulting in reducing fertility and mortality as the main determining causes of starting and extension of aging. The following may be among the social and economic factors significant for lowering fertility rates in developed countries:

- the declining share of traditional farms, characterized by a high fertility rate, which is necessary both for productive activity and to ensure older people's safety;
- decrease in traditional household resources due to mutations which occurred in the economic development of different geographical areas, generally rural areas;
- emancipation of women, access to education at all levels and their involvement in non-agricultural activities;
- increased demands of parents in relation to raising and educating children takes time and significant expenses;
- extension of social security, in particular public pension systems and institutions for dependent elderly care, which reduced the children's role in supporting parents in old age.
- increased share of free time, access to varied entertainment and modern means of collective and individual transportation, adults' and their families' desires to benefit from these facilities.

One should bear in mind that fertility rate in modern society is also influenced by other factors related to culture, politics or religion demographic, which, like those mentioned above, acts differently from country to country.

An important result of lower fertility rate is the progressive decrease of future

generations able to enter the labour market and contribute to the social and health insurance help for those who will be retired at that moment.

This can have a significant impact on the welfare of elderly people, especially in poor countries, with low possibilities to support this population.

Restructuring large groups of ages, namely increasing the proportion of people aged 60 and over in total, tends to create social and political pressures resulting from changes to the allocation of resources in society and can lead to conflicts between generations.

A decrease in the potential support ratio³⁰, which means increasing demographic dependency rate indicates that a growing number of beneficiaries of public health systems and pensions will be "supported" by a decreasing number of taxpayers.

Thus, population of working age will be "burdened" by paying higher taxes and contributions to ensure stable and sufficient income for pensioners. In the last century, due to industrialization, urbanization and modernization, the scale of values has been changed. From the extended family, offering stability and security to its members, nuclear family became predominant³¹.

Nowadays its members are independent, but lack security and stability; the

elderly are the most affected. Before, their place was at home; today they are increasingly experiencing isolation, abandonment, and institutionalization. Slowly, without being a major matter of interest, and yet inevitably, the population of European countries is currently undergoing a second major development: the emergence of a new group, the "fourth age" (over 80 years) with high and growing share.

Significant changes in the structure of population requires structural changes in society: at economic level, infrastructure, health care and social assistance specific to the "fourth age".

Worldwide, it is recognized that there is little understanding of the implications of these trends and society and economy are poorly prepared to meet the new pressures. The social infrastructure urgently requested by "the new structure of the population" lacks.

Population aged 80 and over will be rapidly increasing in Romania by the year 2060. On July 1, 2012, the share of people aged 80 and over in total population³² was only 3.4%, but this will increase to 5.0% to in 2030 and 7.9% and 2060, according to forecasts³³. Changes in the structure of large age groups have a strong impact on the economic, social and political processes. As populations age, some benefits such as pensions, health care and material support for the elderly should be given for longer periods of time. Social security systems must change in order to ensure sustainability. Increased

³⁰ The potential support rate is the number of people aged between 15 and 64, reported as percentage to people aged 65 and older, while the demographic dependency ratio is the number of people aged 65 and over as percentage reported to the number of people aged between 15 and 64.

³¹ The nuclear family (or elementary family) consists of husband, wife and underage children living together. This combination is considered the minimal unit of social organization; it represents the core of all other forms of family structures.

³² Shares of population aged 80 and over, for 2030 and 2060 correspond to the fixed variable

³³ "Projecting Romania's population for year 2060", National Institute for Statistics, 2013, pages 29-44

longevity can lead to medical costs and increased demand for health services because older people are more vulnerable to chronic diseases. Ensuring sustainable public finances, given the aging population, is a key challenge for policy makers in the EU. This can be achieved by increasing employment rates and labour productivity; reforming public pensions, health and long-term care for the elderly.

It is also important to speed up this process because when the share of elderly in total population increases in a short period of time, it becomes difficult for the relevant institutions to adapt rapidly.

Demographic characteristics of the elderly

As it can be seen Romania's population was of 21,316,420 people on July 1, 2012, (table no. 2), out of which 10,941,220 were women (51.3%) and 10,375,200 were men (48.7%). In urban areas there were 11,678,600 people (54.8%) and there were 9,637,820 people in rural areas (45.2%). Population aged 60 and over (4,475,447 people) represented 21.0% of Romania's total population on July 1, 2012, share growing since 1990. Therefore Romania is one of the countries with aging population, with all the consequences arising from this phenomenon at the individual, social and national levels.

Table no. 2 - Total population and elder population (aged 60 and over), by gender and residence area and structure of elder population on July 1, 2012, source: National Institute for Statistics

Indicators	Total			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Population – total	21,316,420	10,375,200	10,941,220	11,678,600	5,562,291	6,116,309	9,637,820	4,812,909	4,824,011
Elder population (aged 60 and over)	4,475,447	1,872,501	2,602,946	2,164,616	904,382	1,260,234	2,310,831	968,119	1,342,712
% elder population in total population	21,0	18,0	23,8	18,5	16,3	20,6	24,0	20,1	27,8
% elder population, by gender, in total	100,0	41,8	58,2	100,0	41,8	58,2	100,0	41,9	58,1

The gender distribution of the elderly population, namely 1,872,501 (41.8%) men and 2,602,946 (58.2%) women, reveals a surplus of 730.445 people in favour of older female population. 48.4% of the elderly population in Romania (2,164,616 people) lives in urban areas, whereas 51.6% (2,310,831

people) live in rural areas. Thus, most of the elderly are concentrated in rural area, respectively 24.0% of the rural population, compared to urban areas, where the elderly represent 18.5% of the total. Population aging in rural area was mainly achieved on account of the female population; elder women

represent 27.8% of all women, whereas elderly men represent 20.1% of the total men (Table 2).

Conclusions and suggestions

The relationship between the state and corporations must be analysed, both for economic reasons, if we consider the critics of privileges and of the inefficient distribution of resources as well for political reasons.

The essence of the market economy must be redefined, based on principles which ensure free competition order, so that the state does not play the central role in the supply-side policy.

The state must be strong so as to shape the market, but without intervening in the economic process.

It is necessary to mark a difference between state intervention on the economic process and securing the institutional framework in which economic processes occur, by giving another meaning to the concept of "order".

Ensuring sustainable public finances, given the aging population, is a key challenge for policy makers which should increase activity rate and labour productivity, reforming public pensions, health and long-term care for the elderly. The speed of this process is also important because when the share of elderly in total population increases in a short period of time, it becomes difficult for the relevant institutions to adapt rapidly.

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Creativity and Innovation in Organizations. A Managerial Approach

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Abstract: *The future of organizations depends decisively on their ability to constantly improve their technologies and processes and, on this basis, to develop new products and services that correspond in quantitative and qualitative terms to the evermore diversified requirements of the demand bearers. The paper addresses relevant aspects related to creativity and innovation as inexhaustible sources of sustainable competitive advantages. The conceptual framework of creativity is defined and the important phases of a creative process are delimited. The main types of innovations are briefly presented, while at the same time the variables defining the innovation capacity of organizations are revealed. The final section of the paper highlights the key role of management in stimulating creative and innovative processes within organizations and in developing innovative projects.*

Keywords: organization, creativity, innovation, management, sustainable competitive advantage.

JEL Classification: M10, L21, O31, O32.

1. Introduction

In today's economy, the development of new products and services is a permanent concern for organizations in their efforts to integrate strategically and to remain competitive in an increasingly competitive environment.

A new technology or an upgraded technology, a new process or an improved process, a new product or service, a modernized product or service, a new management method or technique, are the results of creative and innovative activities within organizations and, at the same time, sources of sustainable competitive advantages.

At Community level, the issue of stimulating creative and innovative processes in organizations is very topical, given that studies conducted by the European Commission show that there is no culture of innovation in the Union that would easily translate good ideas into new products and services. The European Union fails to place the excellence of its fundamental research activities in the service of the market-oriented innovation [4].

The strategy of the European Union is "to create an innovation-friendly environment in which valuable ideas can be transformed more easily into products and services that generate economic growth and jobs" [12].

The current Horizon 2020 Framework Program for Research and Innovation explicitly finances innovation.

Benefiting from a budget of 70 billion of Euro, allotted for 7 years (2014-2020), "Horizon 2020" is the most important program of research and innovation in the world.

2. On creativity

Teresa M. Amabile, PhD in Psychology and Professor of Business Administration in the Entrepreneurial Management Unit at Harvard Business School (USA), defines creativity as "producing new and useful ideas in any field of human activity, from science to arts, education, business or everyday life" [1].

Creativity is the process of revealing, selecting, changing and combining our facts, ideas and talents [10].

Creative thinking involves the division and restructuring of our knowledge about a particular phenomenon, in order to deepen the understanding of its nature. Creativity occurs when we organize our thoughts and ideas in a way that allows us to outline a different perspective on a situation [5].

The creativity of the human resources is essential in the evolution of an organization. There are several options that businesses can use to increase their creativity. One of the options is to use creativity tests in the process of recruiting human resources. After being hired in an organization, an important option is the participation of the human resources in training sessions for the development of creative potential. Also, coaching, which relies heavily on creativity and problem-solving techniques, at both individual and group level, is another option that may have a significant impact on the development of the capacity of the human resources within organizations to generate new ideas [2]. Therefore, the development of the creative potential of organizations must be a permanent concern for the management, who, through managerial and motivational tools, can create and maintain an organizational climate favorable to the generation and experimentation of ideas.

Creativity is the ability to see a challenge or problem in a new light and thus to find solutions that previously were not obvious. Creative people make a habit of thinking in a more open and flexible manner, they anticipate and also seek to invent things and new ways of thinking. Radical creativity can change the world. It can be as practical as the creativity applied to everyday issues, but it has long-term effects and does not give up when facing the most unreasonable and utopian hopes [11].

Creativity is the ability of the human resources within organizations to identify new solutions to current problems and brings together a complete set of ideas, behaviors, thinking styles and mental processes that can be evaluated.

A creative process can be divided into three main phases, namely:

- documentation phase (collecting, selecting and structuring ideas and information);
- analysis and interpretation phase (critical analysis of information, combination of the resulting ideas and, on this basis, development of new ideas and concepts, methods and techniques, models and algorithms, etc.);
- results phase (validation of ideas and concepts, methods and techniques,

models and algorithms).

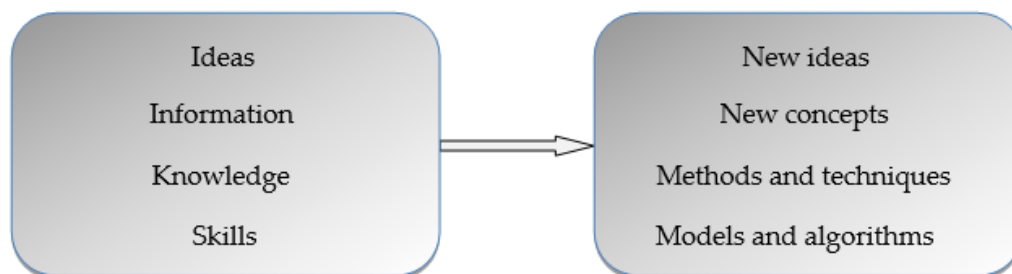
Creativity involves sustained effort and dedication from the human resources of the organizations, eloquent in this sense being the statement of one of the greatest inventors of all time, Thomas Alva Edison, that genius means 1% inspiration and 99% perspiration. Creativity also implies a certain degree of play, but it is based largely on discipline, perseverance and hard work.

An essential variable in the equation of creativity is imagination. Albert Einstein said that "imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world". Equally suggestive and full of content is another statement by Einstein: "Imagination is everything. It is the preview of life's coming attractions".

Edward A. Murphy also considered that "one grain of imagination is worth a pound of competence". Therefore, in addition to good training, creative people have a rich,

constructive imagination that, most of the times, makes the difference and is the source of novelty elements. The essence of a creative process is highlighted suggestively in Figure 1.

Figure 1. The essence of the creative process



3. From creativity to innovation

Creativity is the capacity of human resources to identify new solutions for current problems, whereas innovation is the process whereby an idea is transformed into utility and is launched on the market. Consequently, creative and innovative activities are interdependent [7].

Thomas Alva Edison said that “an idea, however valuable it may be, is worth nothing unless you put it into practice”. Therefore, creativity and innovation are not only in a relationship of interdependence, but also in complementarity.

From a managerial point of view, innovation can be defined as a process that implies a multitude of activities that are accomplished by a range of actors coming from one or more organizations, through a whole set of new combinations of means and/or goals, which aim at growth and/or the adoption of new products and services, which are developed and/or executed and/or implemented and/or transferred towards partners coming from old and/or new markets [8].

Innovation is therefore the process through which an idea is translated into practice and finally ends up on the market in the form of a product or service. Other concrete forms of innovation refer to new technologies, new processes, new managerial methods and techniques.

Innovations, as results of innovation processes, fall into the following categories:

- product innovations (new goods and services, goods and services significantly improved in terms of technical, constructive and functional parameters);

- process innovations (new manufacturing processes or technological flows, new methods of product quality control, new delivery methods, etc.);
- marketing innovations (new marketing methods, new techniques for the promotion, distribution and sale of products, new pricing policies, etc.);
- managerial innovations (new management methods and techniques, improved management methods and techniques, designed to help increase the efficiency and effectiveness of managerial processes in the organization);
- organizational innovations (aimed at increasing the economic and social performance of the organization and taking into account changes in development strategy, organizational structure, organizational culture, etc.).

The innovation capacity of the organizations is a function of at least three variables, namely:

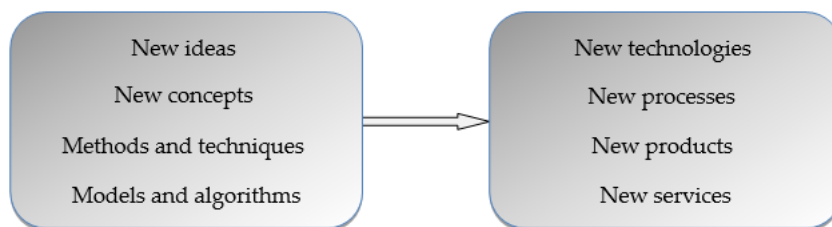
- the creative potential of the human resources (which can be developed through the options referred to in the second section of the paper);
- the competence of the managerial team (use of appropriate management methods and techniques fostering and enhancing the creative spirit of the human resources, giving them enough freedom to experiment with ideas);
- the promotion of motivational tools supporting the application of new ideas, i.e. their transformation into competitive products and services.

It is essential that human resources benefit from enough freedom in experimenting ideas, given that the validation of innovative ideas involves experiments and simulations. The mistake is always to be considered as a learning experience and, implicitly, an

important step in the process of personal and professional development.

The relationship between creativity and innovation is synthesized suggestively in Figure 2.

Figure 2. The essence of the innovation process



4. The management of creative and innovative processes

Innovation management has been defined by Sandrine Fernez-Walch and François Romon as “a set of actions performed in an organization and a set of options expressed in order to favour the emergence of innovation projects, to decide the launching thereof and to accomplish the trading of new products or the implementation of new processes for increasing competitiveness” [6].

From the perspective of the final goal of the innovation process, innovation management may be approached as a process that aims to identify, organize and allot available resources - human, technical, economic ones – in order to acquire new knowledge, to come up with ideas that allow for new products and services to be obtained and modernized, through the transfer of the best ideas into the sphere of production and commercialization [9].

The British standard BS 7000-1:2008 is a guide in the area of innovation management and it particularly refers to the design and development of competitive products [3]. The general principles of innovation management that are comprised by this standard may be applied both in economic organizations (firms), and in public organizations (institutions and public authorities), as well as in non-profit organizations. This standard offers indications that are structured onto three main coordinates:

- innovation management at organizational level;
- performance within innovation management processes;
- instruments and techniques used in innovation management activities.

Why is management so important in stimulating creativity and innovation in organizations, in developing innovative projects?

Because the managerial team, through strategic vision, through effective coordination, through the use of complex motivational tools, puts in value the creative and innovative potential of the organization.

The performance of an organization depends to a large extent on the competence of the employees, but their creative and innovative potential, i.e. their ability to identify new solutions to current and prospective problems, is the key to success and, implicitly, to achieving the sustainable competitive advantage. Therefore, the sustainable competitive advantage is a function of three variables: the competence of the human resources, their creative and innovative potential and the management (see Figure 3).

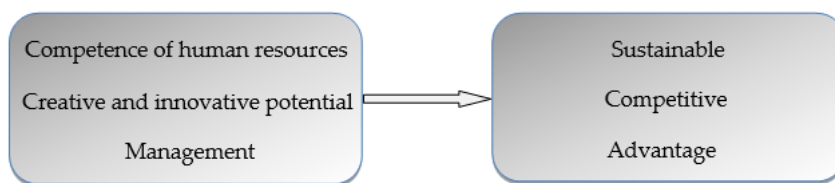
The human resources are strategic resources of an organization, as they produce, combine and use all other types of resources (material, financial, informational, etc.). The

main investment of modern organizations must be in the sphere of human resources, namely to support their participation in training and personal and professional development programs.

The management should promote evolutionary cultural models based on creativity and innovation that foster existing good practices and, at the same time, support the development of new creativity and innovation practices. It is essential for managers to encourage new ideas and create the proper framework for their experimentation.

Through the efficient and effective management of creative and innovative activities, the organizations can meet the evermore complex and nuanced demands expressed by demand carriers, thus adapting to the challenges of today's knowledge-based society and economy.

Figure 3. The sustainable competitive advantage



5. Conclusions

At Community level, the issue of stimulating creative and innovative processes in organizations is very topical, given that studies conducted by the European Commission show that there is no culture of innovation in the Union that would easily translate good ideas into new products and services.

Creativity is the ability of the human resources within organizations to identify new

solutions to current problems and brings together a complete set of ideas, behaviors, thinking styles and mental processes that can be evaluated. A creative process can be divided into three main phases, namely: documentation phase; analysis and interpretation phase; results phase.

Creativity is the capacity of human resources to identify new solutions for current problems, whereas innovation is the process

whereby an idea is transformed into utility and is launched on the market. Creativity and innovation are not only in a relationship of interdependence, but also in complementarity.

Innovations fall into the following categories: product innovations, process innovations, marketing innovations, managerial innovations and organizational innovations. It is essential that human resources benefit from enough freedom in experimenting ideas, given that the validation of innovative

ideas involves experiments and simulations.

The performance of an organization depends to a large extent on the competence of the employees, but their creative and innovative potential, i.e. their ability to identify new solutions to current and prospective problems, is the key to success and, implicitly, to achieving the sustainable competitive advantage.

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Forecasting Tools and Innovation in Management

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Abstract: *The evolutionary trend of the global economy brings to the forefront the need to forecast and introduce new modalities to innovate strategic management systems focusing on the preoccupations regarding the continuous modernization and improvement of the strategic variants of coordination of the organization. In organizational context, innovation has various materializations, it includes both product and technology renewal, but it also takes into account organizational changes or the application of new business models. Applying such changes may have effects on quality and market share, ensuring improved competitiveness.*

Keywords: innovation, innovation in management, organizational management, forecasting tools in innovation

JEL Classification: L21, M20, O31

1. Introduction

Getting the success of an organization on an ascending line constantly requires the forecasting of specific tools and the initiation of an innovation process, which is only possible with an efficient and sustained innovation management. Many research and development projects start from an intuition and many times a lot of money is spent on development before the serious problems of the innovation project are raised: Has it already been done? Is this information useful? Does it add quality and efficiency to the market?

The forecasting and the issues related to innovation in management have led to the definition of its own set of processes, practices and tools, which is a new paradigm of approach, characterized by the application of specific models and rules.

"Every organization – not only the business organizations – needs a basic competence: innovation" [6]. Currently, at a time marked by complex transformations, there is an increase in the interest for innovation, as a way of sustainable growth of the organizations, but also of the society.

2. The concepts of innovation in management

The concept of innovation defines synthetically the introduction of what is new to achieve better results.

"The global process of technological and commercial creativity, the transfer of a new idea or a new concept to the final stage of a new product, process or service activity accepted by the market." [13]

Peter Drucker says innovation is "a change that creates a new dimension of performance".

According to Dex [12], inventing means "making a change, introducing a novelty into a domain, into a system", while innovation means "introducing, adopting, propagating an innovation".

Innovation is not limited to the exploitation of an invention, but involves the application of new ideas, whether they are inventions or not. Thus, as regards the degree of novelty of ideas, [13] three types of innovation are distinguished: an innovation that may be new to the organization, new on the market, or it may be an absolute novelty.

The concept of innovation implies a broader vision, in connection with creative processes that aim to find new solutions and materialize them in various forms, through the expression "Research & Development and Innovation".

In the 1930s, Austrian economist Joseph Schumpeter distinguished five innovations cases: manufacturing new products, introducing new production methods, opening up new outlets, achieving a new form of organization, discovering new sources of raw materials. [2, 11]

According to the Organization for Economic Cooperation and Development (OECD), the following four categories of innovation are differentiated: [12]

- product innovation: is the creation of a new or improved product in terms of technical and functional characteristics, components, materials, ease of use or other functional features;
- process innovation: refers to the development of a new or improved production or delivery technology in terms of working methods and equipment;
- marketing innovation: is the introduction of a new marketing method, a relevant

change in the appearance, packaging, distribution or promotion of the product;

- **organizational innovation:** refers to the implementation of new organizational and management methods, with effects on the business process and the company's external relations.

The trend in recent decades is to increase the share of large-scale changes that integrate technical, organizational and social innovation.

The most suggestive examples are the transformations generated by the emergence of the Internet, which has led to the development of a new type of socio-human communities, providing the main support for the global expansion of the "network-type" organization. The new social organization, developed especially at the virtual level, has increasingly visible effects in the sphere of economic decisions, competition on various markets and global economy. [7, 9]

Numerous publications point out that the most successful companies in terms of innovation are those whose organizational structures favor the development of knowledge through formal research & development processes, but also the development of knowledge through experience and interaction with employees, customers, suppliers and other parties concerned.

Davila and his collaborators mention the creation of an innovation network beyond the boundaries of the organization among the basic principles of innovation management. In their view, "the effective leadership of the partnerships developed within the company, as well as externally, with the customers, suppliers, consultants and all those who can help the organization to be innovative is a key competence in innovation" [4,5].

In a recent study [10], the authors identify five types of collaboration with reference to innovation.

The first type, internal collaboration, refers to the participation in innovation of several entities, individuals or departments within the organization.

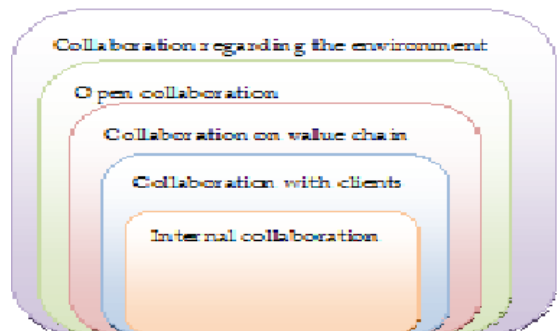
It is necessary, at the same time, to interact with individuals or entities outside the organization, the most important type of external collaboration being the collaboration with the clients.

The third type refers to networks that include suppliers and other partners on the value chain.

The collaboration to innovation also includes the participation in the generation of ideas of any company or other interested party (open collaboration).

The last category involves collaborating on environmental issues and integrates community structures and representatives and other environmental protection structures.

Figure 1: Forms of collaboration for innovation



(Source: adapted after Thomas & Wind, 2013)

3. Forecasting tools in innovation management within the organization

Forecasts are educated assumptions about future trends and events. Forecasting is a complex activity because of factors such as technological innovation, cultural changes, new products, improved services, stronger competitors, shifts in government priorities, changing social values, unstable economic conditions, and unforeseen events. Managers often must rely on published forecasts to effectively identify key external opportunities and threats. [1]

Sometimes organizations must develop their own projections. Most organizations forecast (project) their own revenues and profits annually. Organizations sometimes forecast market share or customer loyalty in local areas. Because forecasting is so important in strategic management and because the ability to forecast (in contrast to the ability to use a forecast) is essential.

Forecasting tools can be broadly categorized into two groups: quantitative techniques and qualitative techniques.

Quantitative forecasts are most appropriate when historical data are available and when the relationships among key variables are expected to remain the same in the future. As historical relationships become less stable, quantitative forecasts become less accurate.[3]

The biggest problem for companies is finding the starting point. This is especially the case for smaller firms that do not dedicate sufficient resources to the exploration stages. Practical examples of starting points can be:

- operating improvements in existing company products,
- purchasing an agency to import a product, thereby gaining market knowledge,

➤ entering into a partnership with a marketing firm,

➤ making a survey among the clients of the organization to see what products they expect in the future.

Another approach is to observe the growing market trends, which may be caused by factors such as:

- high labor costs,
- environmental considerations,
- new or improved safety rules,
- market niches for special versions of products that the national company can make [1, 9, 11],
- import analysis and statistics to see what products are imported in the country and which ones could be replaced by locally manufactured goods.

No forecast is perfect, and some forecasts are even wildly inaccurate. This fact accents the need for strategists of innovation to devote sufficient time and effort to study the underlying bases for published forecasts and to develop internal forecasts of their own.

Key external opportunities and threats can be effectively identified only through good forecasts. Accurate forecasts can provide major competitive advantages for organizations. Forecasts are vital to the strategic-management process and to the success of organizations.[8]

4. Strategies for the application of innovation in management

The materialization of the innovation process within organizations is extremely diverse in relation to the forms and objectives of innovation

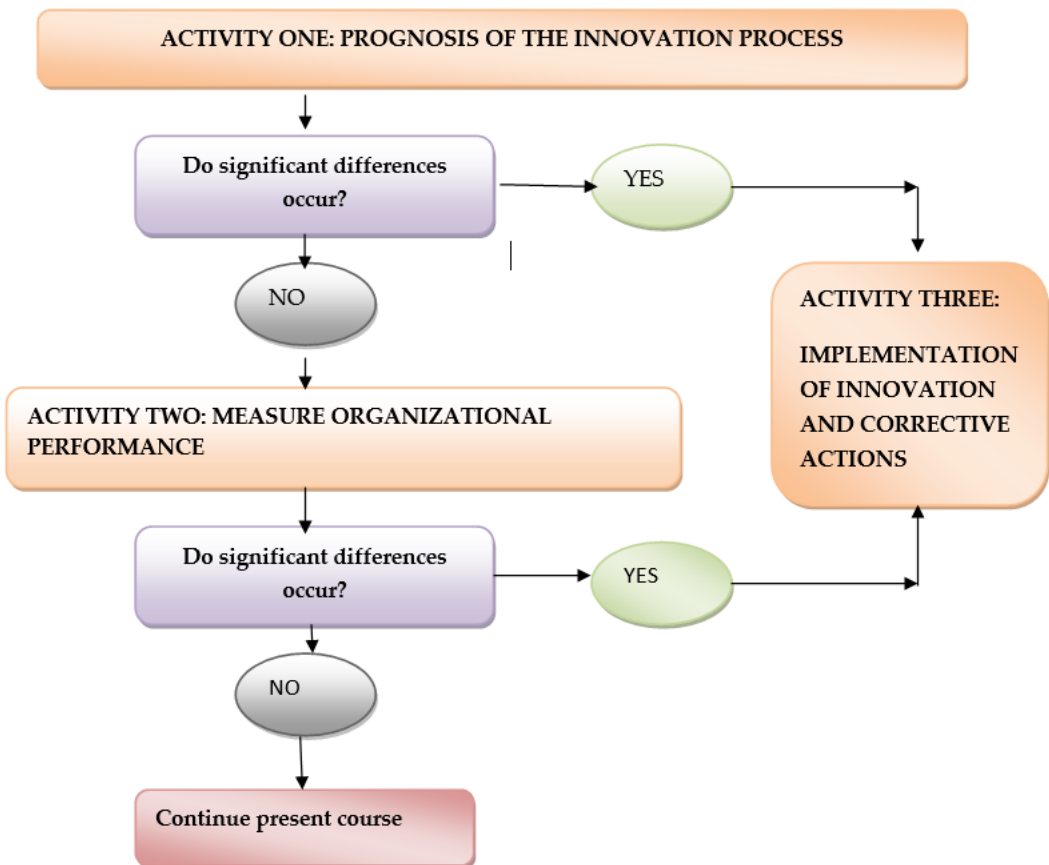
Relevant aspects of innovation refer to the innovation application strategy [10]:

Activity one: Prognosis of the innovation process including the generation of ideas; defining the concept of product or service; feasibility analysis by selecting ideas, methods and techniques.

Activity two: Measurement of organizational performance through: constructive development; achievement and prototype verification.

Activity three: Implementation of innovation and corrective actions including: market studies, marketing, creating the production system, ensuring the human resource.

Figure 2: Innovation application model



(Source: adapted after David, Fred R, 2011)

Innovation improvements that affect consumer and industrial products and services shorten product life cycles. Companies in virtually every industry are relying on the development of new products and services to fuel profitability and growth.

Surveys suggest that the most successful organizations use an innovation strategy that ties external opportunities to internal strengths and is linked with objectives.[8]

Innovative management policies can be implemented through:

- Highlighting the product or service and improving it.
- Accentuation of basic or applied research.
- The existence of a team of leaders in innovation and research.
- Developing automation procedures.
- Allocating financial resources for research, development and innovation.
- Obtaining performance in research & development and innovation within the organization or concluding agreements with other organizations.

- Use of researchers from universities or the private sector.

5. Conclusions

The emphasis on innovation in management is one of the distinctive elements of recently implemented strategies and policies, both within organizations and at national and regional level.

Finding and introducing what is new into organizations involves the existence of specialized compartments, laboratories or even organizations creating innovation.

Modern innovation systems are characterized by extensive collaboration with other organizations, the trend being the development of network structures. This new approach involves addressing the research & development activities in connection with the business environment and other structures of the society that need to apply the new solutions, with the goal of gaining benefits for organizations, for the society, for people.

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Forecasting of the World's Frozen Food Market, the Key Developments to Date and the Sustainability and Social Responsibility Opportunities – An Economic and Social Perspective

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Abstract: *The paper entitled “Forecasting of the World’s Frozen Food Market, the Key Developments to Date and the Sustainability and Social Responsibility Opportunities – An Economic and Social Perspective” tackles the following key aspects: the economic and social perspectives of the world’s frozen food industry; the work done towards a sustainable, secure and healthy food supply; the need to ensure fair prices and a wide range of food and food access solutions; the need to implement a more environmentally sustainable, more resilient, profitable and competitive food chains; the need to deliver wholesome, healthy, safe and ethical and healthy food products; the solutions needed to support the retail frozen marketplace on long run; the need to create a balance between the costs of the retail frozen products and the prices of these products; the perspectives offered by the freezing technology and the quality of the products; the key developments to date concerning the world’s frozen food market, the countries where these types of products are mostly used and the world’s biggest frozen food producers and consumers.*

Key-words: world’s frozen food market, frozen food industry, retail, foodservice, food safety and quality, freezing systems and technologies, key developments, sustainability, social responsibility opportunities, an economic and social perspective

JEL-classification: F63, I15, O00, O10, O14, Q01, Q55

Introduction

Today the shifts in global economic, social, demographic and political trends will continue to put a tremendous pressure both on food supplies and on oil supplies, creating new challenges for food and oil manufacturers and consumers (International Food Information Council Foundation 2009 Food & Health Survey; the 2008 Gallop Study of Healthy Fat & Oils; Omega-9 Oils Heart Trustmark, “Healthier Oils. Healthier Business”; Deloitte Touche Tohmatsu Limited (DTTL), 2014; International Energy Agency (IEA), Oil Market Report. World Oil Demand. Highlights, 2017). All these changes will be responsible for significantly reshaping the context for frozen food and for oil and the manufacturers’ and consumers’ perception in this matter.

This paper focuses on the impact of frozen food on nowadays society, due to the following key aspects: the demand for food (and other resources) will reach unprecedented levels and will affect its availability and its

price as the population grows and the income grows; the diets will change in countries and regions such as Africa, China and India, by including more meat and dairy products in their daily menu, which will implicate new resources and new lands to produce on (The Guardian, 2009; The Financial Times, 2015); the consumption patterns are rapidly changing, due to climate changes, extreme weather and water shortages which affect the crops; the prices for processing, transporting and storing the food will continue to rise due to the rising energy costs and the oil prices which are also rising (Helen Lei Sun, 2011; Fantu Cheru and Renu Modi, 2013).

Under these conditions, in the near future the importance of frozen food will continue to grow, and finding solutions for people to have access to food at affordable prices will become a must for our society. In the same time, the resource challenges will intensify the specialists’ focus on waste from a sustainable economic development perspective, in the attempt of being more nature

friendly, nature oriented, diminishing consumption and waste, aiding waste reduction, minimizing the impact of food manufacturers' wastes on the environment and on the communities and properly using their supply chains in order to contribute to a better and more cleaner and healthier society.

1.) A brief history of frozen food and nowadays key developments in the frozen food market

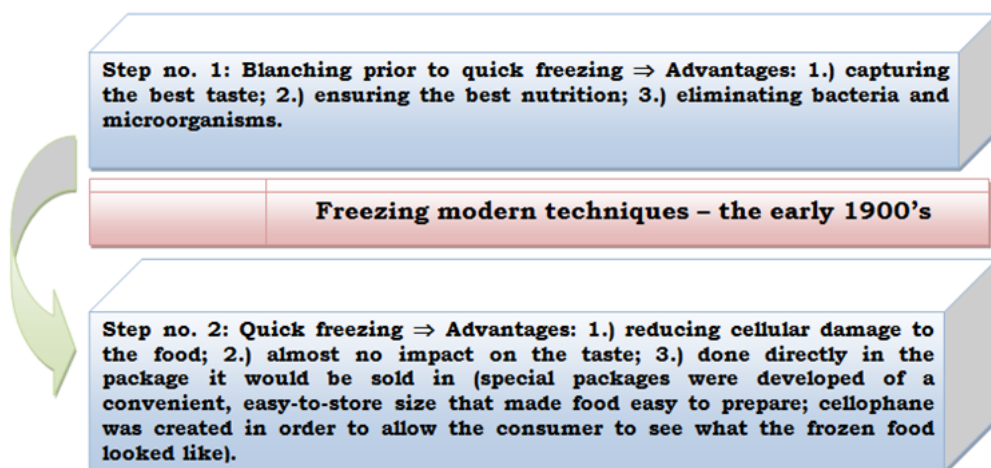
The first part of the article entitled "Forecasting of the World's Frozen Food Market, the Key Developments to Date and the Sustainability and Social Responsibility Opportunities – An Economic and Social Perspective", named "A brief history of frozen food and nowadays key developments in the frozen food market", addresses elements such as the history of frozen food and its importance and nowadays key developments in the frozen food market.

According to specialists, frozen food has always existed, especially in the

climates where food could freeze, due to cold temperatures (for example, in Russia) (C. Anne Wilson, 1991; Mack L., 2001; Brian A. Nummer, 2002). The history of frozen foods goes back 10,000 years ago to the Chinese, who were the ones who developed systems for storing ice during the warm, summer months, in order to keep food frozen (<https://tommyssuperfoods.com/history-frozen-foods/>). Moreover, many people developed freezing techniques, such as Enoch Piper, William Davis, and Daniel E. Somes. Furthermore, in the early twentieth century, several experiments involving both mechanical and chemical methods able to preserve food were noted. However, in 1924 Clarence Frank Birdseye II developed the first industrial method to freeze food (the quick-freezing industrial method for food) (Kostadin Fikiin, 2003; The Library of Congress, 2017).

The first freezing modern techniques took into account the following aspects (see, in this matter, Figure no. 1: "Freezing modern techniques – the early 1900's"):

Figure no. 1: "Freezing modern techniques – the early 1900's"



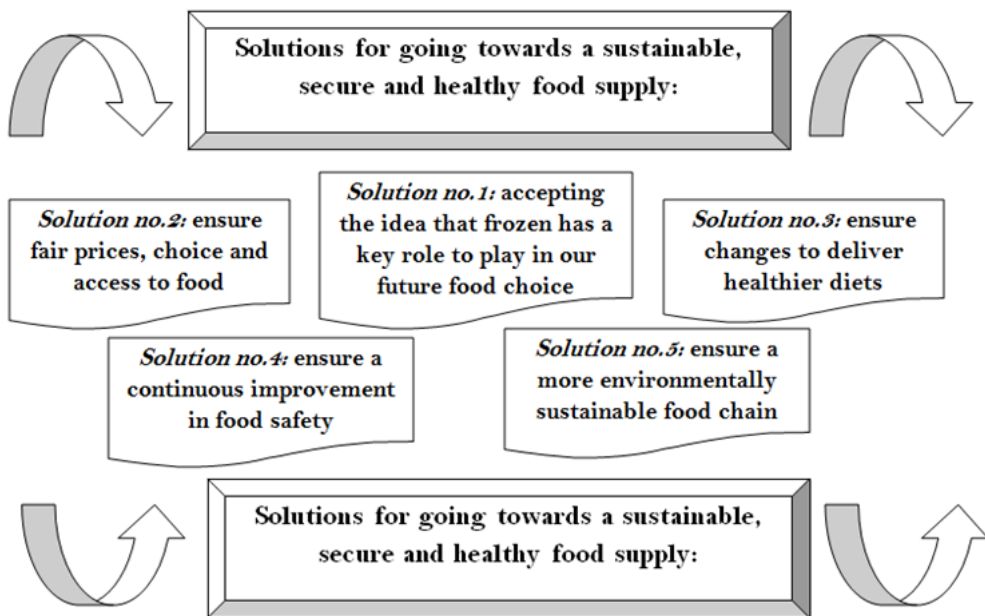
Source: The Author's adaptation after Tommy's Superfoods, *The History of Frozen Foods*, January 26, 2017, available online at the link: <https://tommyssuperfoods.com/history-frozen-foods/>, accessed on 05th of April 2017.

2.) Solutions for going towards a sustainable, secure and healthy food supply

The second part of the article entitled “Forecasting of the World’s Frozen Food Market, the Key Developments to Date and the Sustainability and Social Responsibility Opportunities – An Economic and Social

Perspective”, named “Solutions for going towards a sustainable, secure and healthy food supply”, addresses elements such as finding solutions for going towards a sustainable, secure and healthy food supply and ensuring the world’s food supply on the long run (see, in this matter, Figure no. 2: “Solutions for going towards a sustainable, secure and healthy food supply”).

Figure no. 2: “Solutions for going towards a sustainable, secure and healthy food supply”



Source: The Authors’ ideas after analyzing the scientific literature presented in the reference section of this Article.

The solutions for going towards a sustainable, secure and healthy food supply are the following:

- Accepting the idea that frozen has a key role to play in our future food choice;
- Ensuring fair prices, choice and access to food;
- Ensuring changes to deliver healthier diets;
- Ensuring a continuous improvement

in food safety;

- And ensuring a more environmentally sustainable food chain.

According to the document Renewables 2016 Global Status Report (Renewables 2016 Global Status Report, REN21, 2016), the elements below were stressed (see, in this matter, Table no. 1: “Food trends according to the data available in the Renewables 2016 Global Status Report”):

Table no. 1: "Food industry trends according to the data available in the Renewables 2016 Global Status Report"

Food industry trends in 2015:	Data available in the Renewables 2016 Global Status Report:
The food industry (together with the beverage and the cooper industry) has substantial demand for low-temperature heat and represents a market that also expanded for solar process heat in industry at a large scale.	Heating and Cooling Sector, Solar thermal renewable energy, p. 36
The food industry (together with the tobacco industry) meets a considerable share of its energy needs with biomass.	Biomass Energy, Bioenergy Markets, Bio-heat Markets, p. 44
Active progress in demonstrating the reliable production of a range of advanced biofuels was made, their purpose being to offer alternatives to conventional biofuels (produced with sugar, starch and oils) and ensuring the prospect of lower life-cycle greenhouse gas emissions by reduced competition with food production.	Bioenergy Industry, Liquid Biofuels Industry, p. 48
The food processing industry is one of the most popular sectors for solar process heat applications in recent years (together with the metal processing, textile, beverage and mining industries).	Solar Thermal Heating and Cooling, Solar Thermal Heating / Cooling Markets, p. 72
Globally, the transport sector continues to a subject of debates over the economic and environmental impacts of biofuels, with a particular emphasis on Europe's and the United States' situation. Some specialists believe that the full life-cycle emissions associated with the fuels negates the positive environmental impact of displaced fossil fuel consumption, while other specialists show a great concern about the impact on food crop prices and land use.	Transport, p. 116
Biogas / Bio methane, which is a gaseous mixture consisting mainly of methane and carbon dioxide produced by the anaerobic digestion of organic matter, includes agricultural residues, animal wastes, food industry wastes, sewage sludge, purpose-grown green crops and the organic components of municipal solid wastes.	Biogas / Bio methane, p. 264
<ul style="list-style-type: none"> • General conclusions: • Increased pressure on world food and oil supplies will forever transform the marketplace. • The challenges in terms of economic, demographic, social, and political trends will put pressure on both the food supplies as well as on the oil supplies, forcing specialist to find alternatives and viable solutions. That is the reason why the world will become more and more aware of the importance of frozen food as well as of the necessity to find alternative solutions for generating energy. • The increasing need for resources will generate an increasing need to intensify the focus on waste management and on nature's preservation, on sustainable development and on sustainable economic growth. 	

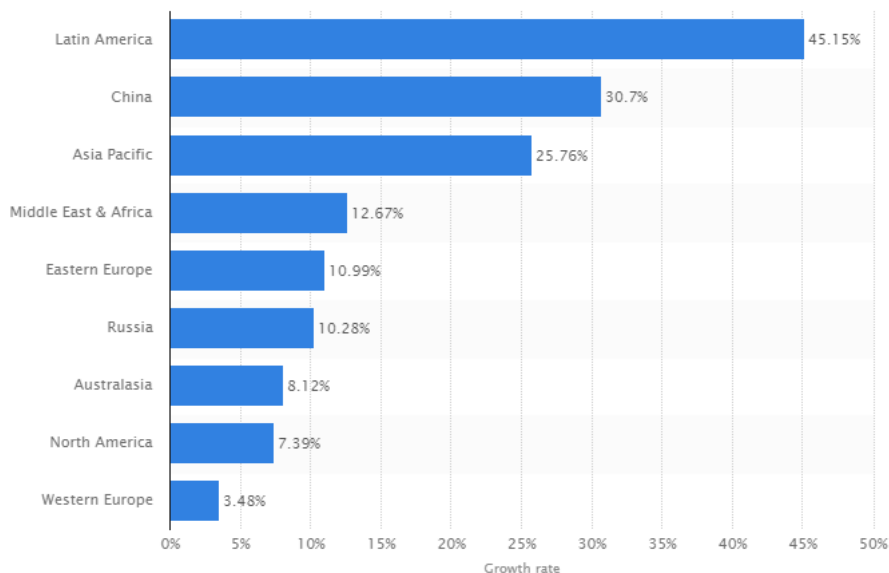
Source: Renewables 2016 Global Status Report, REN21, Renewable Energy Policy Network for the 21th century, available online at the link: http://www.ren21.net/wp-content/uploads/2016/06/GSR_2016_Full_Report.pdf, accessed on 06th of April 2017.

3.) Frozen pizza industry worldwide – a nowadays perspective

The third part of the article entitled “Forecasting of the World’s Frozen Food Market, the Key Developments to Date and the Sustainability and Social Responsibility Opportunities – An Economic and Social Perspective”, named “Frozen pizza industry worldwide – a nowadays perspective”, presents a case study on the frozen pizza industry.

The frozen pizza industry is known to be one of the biggest industries worldwide. The data available below (see, in this matter, Figure no. 3: “Projected growth rate of the frozen pizza industry worldwide from 2015 to 2017, by region (in billion U.S. dollars)”) presents the projected growth rate of the frozen pizza industry worldwide from 2015 to 2017, by region in billion U.S. dollars.

Figure no. 3: “Projected growth rate of the frozen pizza industry worldwide from 2015 to 2017, by region (in billion U.S. dollars)”^A



Source: <https://www.statista.com/statistics/499282/global-growth-rate-of-the-pizza-industry/>, accessed on 10th April 2017

According to the data available at <https://www.statista.com/statistics/>, Western Europe holds the largest share of the global pizza industry (which accounts for 38.8 percent of the industry), being closely followed by North America (which accounts for 32.6 percent of the industry). Moreover, in December 2016, Latin America was ranked

as the region with the greatest pizza industry projected growth (accounting for 45.15 percent of the industry), while by comparison North America registered a growth of only 7.39 percent and Western Europe had a growth of 3.48 percent during the same period of time.

The details concerning the world pizza market and the U.S.A. pizza market are presented in the lines below (see, in this matter,

Table no. 2: “The world pizza market and the U.S.A. pizza market”):

Table no. 2: “The world pizza market and the U.S.A. pizza market”

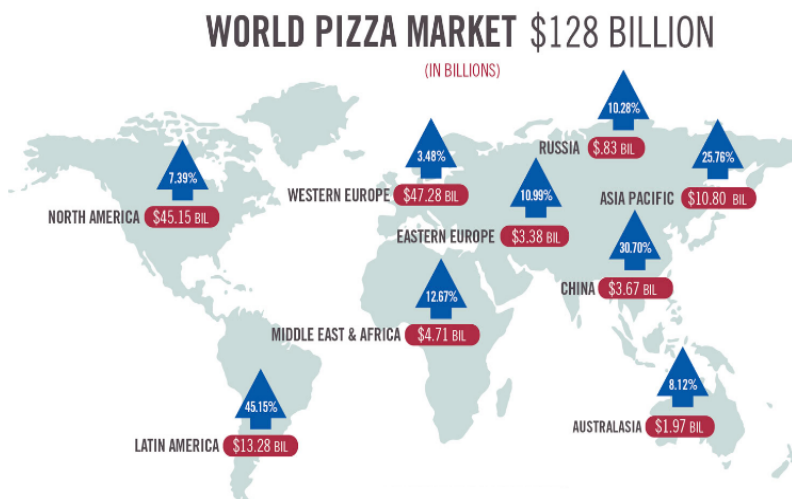
Comparison pizza market 2015 figures with pizza market 2017 figures:		
World pizza market	128 billion U.S. dollars	2017 growth from 2015
U.S.A. pizza market	44 billion U.S. dollars	2017 growth from 2015
No. of U.S.A. pizzerias	76,723	2017 decrease from 2015
Average unit sales	579,127 U.S. dollars	2017 growth from 2015
Consumer demand	26%	2017 growth from 2015

Source: EUROMONITOR INTERNATIONAL, CHD EXPERT, and <http://www.pmq.com/December-2016/Pizza-Power-2017-A-State-of-the-Industry-Report/>, accessed on 10th April 2017

The figures below position Russia on the first position of the chart, with a pizza market of 83 billion U.S. dollars, followed by Western Europe with a pizza market of 47,28 billion U.S. dollars and North America with a pizza market of 45,15 billion U.S. dollars (Rick Hynum, 2016 – 2017; EUROMONITOR

INTERNATIONAL and <http://www.pmq.com/December-2016/Pizza-Power-2017-A-State-of-the-Industry-Report/>) (see, in this matter, Figure no. 4: “World pizza market, with projected growth rate, by region (in billion U.S. dollars), including a forecast through 2020”).

Figure no. 4: “World pizza market, with projected growth rate, by region (in billion U.S. dollars), including a forecast through 2020”

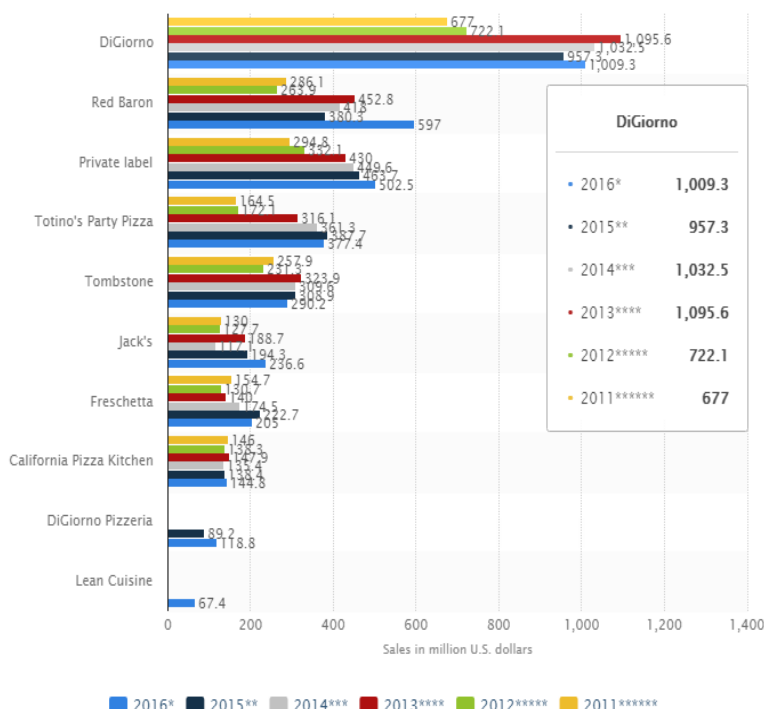


Source: EUROMONITOR INTERNATIONAL and <http://www.pmq.com/December-2016/Pizza-Power-2017-A-State-of-the-Industry-Report/>, accessed on 10th April 2017

This figure below shows the sales of the leading frozen pizza brands from the United States of America from 2011 to 2016. DiGiorno, owned by Nestlé, was the top ranked frozen pizza brand of the United States with about 1.01 billion U.S. dollars' worth of sales in 2016, followed by Red Baron

with 597 billion U.S. dollars' worth of sales in 2016 and Private label with 502,5 billion U.S. dollars' worth of sales in 2016 (see, in this matter, Figure no. 5: "Sales of the leading frozen pizza brands of the United States from 2011 to 2016 (in million U.S. dollars)").

Figure no. 5: "Sales of the leading frozen pizza brands of the United States from 2011 to 2016 (in million U.S. dollars)"



Source: <https://www.statista.com/statistics/189650/top-frozen-pizza-brands-in-the-united-states/>, accessed on 10th April 2017

Conclusions:

The paper entitled "Forecasting of the World's Frozen Food Market, the Key Developments to Date and the Sustainability and Social Responsibility Opportunities – An Economic and Social Perspective" shows the major role played by frozen food on the marketplace.

The frozen food industry is one of the fastest growing industries worldwide nowadays, and is expected to play a key role in the near future due to the advantages brought to the consumers': it offers the possibility to have access to food anytime and anywhere; it enables a better food consumption, due to the fact that it is available in small and big portions, depending on the needs of the

consumers; it offers the possibility to try different types of food (food diversity), no matter of the region or culinary preference; it is fresh and very easy to store and to cook; it is extremely necessary in a world in which more and more women are working the same as men do; it is nutritious and cost effective; it is safe, due to the freezing process; it offers of vast selection of products all year around; it

helps reduces food waste; it reduces the risk of food poisoning.

However, frozen food is known to have disadvantages as well: some products present a high level of sodium and preservatives, as well as high fat values and calories; some products have lost their national values; some products have lost their natural flavor;

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Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania

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Abstract: The paper entitled “Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania” addresses the following key aspects: first of all, the article is keen on providing an answer to the following question: “What is the place of the tobacco market and tobacco companies worldwide?” in order to show the importance of tobacco and tobacco related products worldwide and to stress the importance of this continuously growing market worldwide (despite its controversial nature); second of all, this paper is focused on providing an answer to the following question: “What is the evolution of the land devoted to growing tobacco and its importance for the tobacco companies worldwide?” in order to show connection that exists between the following elements: the land devoted to growing tobacco has known a continuous growth between 2000 and 2012 (and, of course, until today), due to the role played by tobacco and tobacco related products in the lives of the consumers worldwide; the tobacco companies become more and more powerful and more and more reach with each year; the lands devoted to growing tobacco are especially found in less developed countries and statistics have shown that a significant number of children are used in the tobacco industry; third of all, this work focuses itself on providing an answer to the following question: “Which are the biggest tobacco companies in the world?” in order to present the world’s tobacco industry leaders, as well as the latest trends and future predictions concerning this strong and competitive industry; and fourth of all, this research paper intends to provide an answer to the following question: “What are the latest tobacco market trends and hidden opportunities in Romania?” in order to show the latest tobacco market trends and hidden opportunities in Romania.

Key words: tobacco market, tobacco companies’ worldwide, growing tobacco, tobacco related products, enterprise value, nicotine and tar addiction, market trends, market share, product revenue, profit, brand, hidden opportunities, sustainable economic growth, waste, Romania’s situation.

JEL-classification: D40, L66, Q18, P45, I00, O00

Introduction

The paper entitled “Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania” focuses itself on the most recent market and marketing opportunities, trends, analysis and statistics provided by one of the most fast growing and controversial industries in history, the tobacco industry.

Although tobacco products and tobacco related products have been described in numerous occasions by different worldwide known researchers, health specialists, political and public figures, as well as health associations as being extremely dangerous and

harmful for individuals’ health (being reported that “smoking causes many kinds of cancer, heart disease and respiratory illnesses which are fatal for many sufferers”), due to the physiologically and psychologically addictive nature (and not only) of their key ingredients (among which especially nicotine, which according to the specialists can be associated more with the effects induced by “heroin and cocaine - rather than shopping, chocolate or the Internet”), the tobacco industry seems to flourish year by year, although “it never claimed any health benefits”, gaining more and more market share and brand share by attracting more and more customers (even competing, according to specialists, for market share not only at adult individuals,

but also in age groups such as teenagers (13-18 years old) and children (<13 years old)) (according to the World Health Organization (W.H.O.), 2017, "Tobacco Explained. The truth about the tobacco industry ... in its own words", <http://www.who.int/tobacco/media/en/TobaccoExplained.pdf>).

Our interest in the tobacco products and tobacco related products, as well as in the tobacco industry, comes from the numerous controversies that this subject encountered and embraced over time (for example, the ideas presented in the documentary movies: "Welcome Back, Big Tobacco", 2016, produced by the Canadian documentary series The Fifth Estate; "The Tobacco Conspiracy", a documentary where three aspects of the tobacco industry are studied: "scientific subversion", "ideological subversion" and "economic strategies"; "Secrets of The Tobacco Industry", "Smoke & Mirrors: A History of Denial", 2000; documentary, drama and bibliographical movie: "The Insider", 1999; "Thank You for Smoking", 2005; "Addiction Incorporated", 2011), but also from the economic data available through recent statistics that clearly stresses that this particular type of industry is one of the world's leaders when taking into consideration key elements, such as: sales, branding and rebranding, product design, advertising, market share and market quota, pricing, growth and development, labour opportunities in both developed and undeveloped countries over the world. This work is meant to discuss, from an economic point of view (and not from a social or health perspective), some of the most recent data, analysis and statistics concerning the tobacco industry and also to present a future perspective of this fast growing industry, which made

itself known worldwide with the aid of elements, such as: fearless competition; strong and continuously strengthening marketing techniques; well-designed products, capable to attract a wide variety of individuals, no matter of their age, gender, habits or revenue; powerful marketing and advertising strategies (the list is not limitative).

1.) What is the place of the tobacco market and tobacco companies worldwide?

The first part of the paper entitled "Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania" focuses itself on providing an answer to the following question: "What is the place of the tobacco market and tobacco companies worldwide?" in order to show the importance of tobacco and tobacco related products worldwide and to stress the importance of this continuously growing market worldwide (despite its controversial nature).

Tobacco, first cultivated in Mexico around in 1.000 B.C., represents the main ingredient of cigarettes, cigars, pipe tobacco, and flavoured shisha tobacco. Tobacco is being cultivated in many countries on large scale, growing in all continents of the world except Antarctica. According to recent statistics, the world is producing about 7.5 million tons of tobacco every year, which makes this particular market one of the biggest and most flourishing markets in the world, despite the on-going medical studies (with conclusive medical evidence especially after 1964) according to which tobacco use has deadly effects on consumers (Top Ten Tobacco Producing Countries in the World,

Jul 31, 2015, <http://www.perfectinsider.com/top-ten-tobacco-producing-countries-in-the-world/>; and World Health Organization (W.H.O.), 2017).

However, due to especially two highly addictive ingredients extracted from the tobacco plant, nicotine and tar, tobacco is:

- Believed to be “probably the most consumed lethal product in the world” (Article: “The Top 5 Countries that Produce the Most Tobacco”, the data available online at the following link: <http://www.countryranker.com/the-top-5-countries-that-produce-the-most-tobacco/>);
- Being even referred to as “the most dangerous drug in the world” (Richard Rudgley, “The Encyclopedia of Psychoactive Substances”, Little, Brown and Company (1998), <https://www.biopsychiatry.com/tobacco/>);
- Considered “deadly in any form or disguise” (World Health Organization (W.H.O.), 2006).

In addition, according to the American Heart Association, although individuals

know that tobacco is harmful to the body, lots of people continue smoking. Among the most encountered reasons for people continuing smoking, there can be found the following ones (American Heart Association, 2017):

- The nicotine addiction proves to be extremely hard to handle, because once the cigarette’s effect goes away, the individual craves for a new one. Nicotine acts as a drug to the brain, inducing a feeling of relaxation, being even responsible for elevating the heart rate or a person’s mood.
- The way to handle stress or anxiety by using other methods is extremely challenging. Smoking is regarded as being a fast and easy relief.

The details concerning the place of the tobacco market and tobacco companies worldwide are presented below (see, in this matter, Table no. 1: “The world’s 10 largest food, soap, and cleaning product companies – in terms of market capital and revenue in 2013”).

Table no. 1: “The world’s 10 largest food, soap, and cleaning product companies – in terms of market capital and revenue in 2013”

Position	Company	Description	Total market capital	Total revenue
1.	Nestlé	Swiss multinational food and beverage company created in 1905;	\$233.52 billion	\$100.64 billion
		Produces several types of baby food, breakfast cereals, bottled water, dairy products, ice creams, coffee, snacks and pet food;		
		The most widely distributed products by this company are Nescafe, Nestea, Kit Kat, and Maggi;		
		Has over 450 factories operating in 86 different countries.		

2.	Procter & Gamble	American multinational consumer goods company;	\$208.53 billion	\$83.32 billion
		Headquartered in downtown Cincinnati, Ohio;		
		Manufactures several products in two main categories: cleaning and personal care products;		
		Its products are marketed to around 180 countries worldwide;		
		Ranked 15th on the list of World's Most Admired Companies.		
3.	Coca - Cola	American multinational beverage corporation and manufacturer, as well as the retailer and marketer of non-alcoholic beverages, founded in 1886;	\$173.05 billion	\$48.02 billion
		Headquartered in Atlanta, Georgia;		
		Offers more than 500 products, available in virtually every country in the world.		
4.	Anheuser - Busch InBev	Belgian - Brazilian multinational brewing and beverage company;	\$153.48 billion	\$39.76 billion
		Headquartered in Leuven, Belgium;		
		The largest brewing company in the world;		
		Produces, markets, distributes, and sells around 200 different brands of beer, including popular labels like Budweiser, Corona, and Brahma, as well as smaller brands like Alexander Keith's, Hoegaarden, and regional brands like Jupiler, Cass, and Skol;		
		Has about a 25% share of the global market.		

5.	Philip Morris International	American global cigarette and tobacco company, founded in 1900;	\$150.56 billion	\$31.38 billion
		Headquartered in New York City, New York;		
		Based on the production of tobacco and addictive products;		
		Its popular brands include Dji Sam Soe 234, Marathon, Marlboro, U Mild, Lark, Merit, and Escort.		
6.	Unilever NV	Anglo - Dutch multinational consumer goods company, founded in 1929;	\$122.32 billion	\$67.71 billion
		One of the oldest multi-national companies in the world;		
		Has been marketing its products in around 190 countries worldwide;		
		Has over 400 brands, including Axe / Lynx, Dove, Hartbrand Ice, Becel / Flora, Sunsilk, and Lipton, the company operates in four different divisions of food, refreshment, home care and personal care.		
7.	PepsiCo	American multinational food and beverage manufacturing company, founded in 1965;	\$118.86 billion	\$65.49 billion
		Headquartered in Purchase, New York;		
		Involved in the manufacturing, marketing, and distribution of several beverages, grain-based snack foods, dairy products, carbonated and non-carbonated drinks, and other food products;		
		Was the first company to stamp expiration dates on its manufactured products, starting in March 1994.		

8.	British American Tobacco	British multinational tobacco company, founded in 1902;	\$101.99 billion	\$24.08 billion
		Headquartered in London, England;		
		The second-largest tobacco company by sales, just after Philip Morris International;		
		A leader in over 50 countries, while its operations are run in over 180 countries;		
		Its most popular brands include Dunhill, Kent, and Lucky Strike.		
9.	Reckitt Benckiser Group	Anglo-Dutch multinational consumer goods company, founded in 1999;	\$51.17 billion	\$15.56 billion
		Headquartered in Slough, Berkshire;		
		A major producer of health, hygiene, and home products;		
		Best-selling brands like Dettol, Strepsils, Veet, Air Wick, Calgon, Vanish, and Durex;		
		Operates in around 60 countries.		
10.	General Mills	Manufacturer and marketer of branded consumer foods. Its products include cereals, snacks, pizza, ice-cream, baking mixes, and vegetables, which are sold through retail stores;	\$29.9 billion	\$17.43 billion
		Founded in 1886;		
		Headquartered in Golden Valley, Minnesota;		
		Top-selling brands, like Betty Crocker, Green Giant, Pillsbury, and Lucky Charms;		
		Operates in three segments: US retail, International, and Bakeries and food service;		
		Delivers its products to 15 countries and carries out its business ventures in 100 different countries.		

Source: The Authors' adaptation after the data available in the Article "The World's 10 Largest Food, Soap, And Cleaning Product Companies" published on 27.01.2014, the data available online at the following link: <http://www.therichest.com/business/companies-business/the-worlds-10-largest-food-soap-and-cleaning-product-companies/>, accessed on the 10th of April 2017.

According to the aspects presented above, Philip Morris International (an American global cigarette and tobacco company) occupies the fifth position in the world's ten largest food, soap, and cleaning product companies in terms of market capital and revenue in 2013, and British American Tobacco (a British multinational tobacco company) occupies the eight position in the same top. As from 31 March 2016 the market value of Philip Morris International is approximately \$152 billion (see, in this matter, <http://beta.fortune.com/fortune500/philip-morris-international-106> and <https://www.forbes.com/companies/philip-morris-international/>), while as from May 2016 the market value of British American Tobacco is \$111 billion (see, in this matter, <https://www.forbes.com/companies/british-american-tobacco/>)

Moreover, according to the data available from 2013, tobacco is one of the most profitable products in America, positioning itself on the second place when analysing elements such as the products' operating margin, revenue and market share, after the iPhone from Apple and immediately followed by Monster (caffeine based soft drink), Jack Daniels Tennessee Whiskey, Coca-Cola, Enfamil (one of the best-selling infant formula brands in the world) and Harley-Davidson Motorcycles (Harley-Davidson being among the world's 100 most valuable brands, according to Interbrand's 2013 report) (see, in this matter, Table no. 2: "America's Most Profitable Products").

Table no. 2: "America's Most Profitable Products"

Position	Product	Operating margin	Product revenue	Market share	Industry	Details
1.	iPhone	41%	\$91.3 billion	45.0%	Computer hardware	Apple the world's most valuable brand in 2013.
2.	Marlboro	32%	\$18.7 billion	40.3%	Tobacco	Marlboro dominates U.S.A. tobacco markets, controlling more than two - fifths of the tobacco market in America.
3.	Monster	26%	\$2.1 billion	34.6%	Soft drinks	One can of Monster has roughly five times the caffeine found in a can of Coke; Monster Beverage Corporation's revenue has steadily increased in recent years and sales rose more than 9% in 2013.

4.	Jack Daniels Tennessee Whiskey	25%	\$2.0 billion	2.4% (U.S.; largest American whiskey)	Alcohol	Jack Daniels is the top-selling American whiskey, and one of the largest spirits brands, in the world, being Brown-Forman Corporations' principal product, and its biggest driver of growth.
5.	Coca-Cola	24%	\$13.7 billion	42.4%	Soft drinks	The company controlled 36% of the U.S.A. market in 1977, and 42% in 2013; Coca-Cola distributes more than 500 different beverage brands around the globe.

Source: The Authors' adaptation after the data available in the Article "America's Most Profitable Products" published by Thomas C. Frohlich and Alexander E.M. Hess on June 6, 2014, the data available online at the following link: <http://247wallst.com/special-report/2014/06/06/americas-most-profitable-products-2/3/>, accessed on the 10th of April 2017.

2.) What is the evolution of the land devoted to growing tobacco and its importance for the tobacco companies worldwide?

The second part of the paper entitled "Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania" focuses itself on providing an answer to the following question: "What is the evolution of the land devoted to growing tobacco and its importance for the tobacco companies worldwide?" in order to show connection that exists between the following

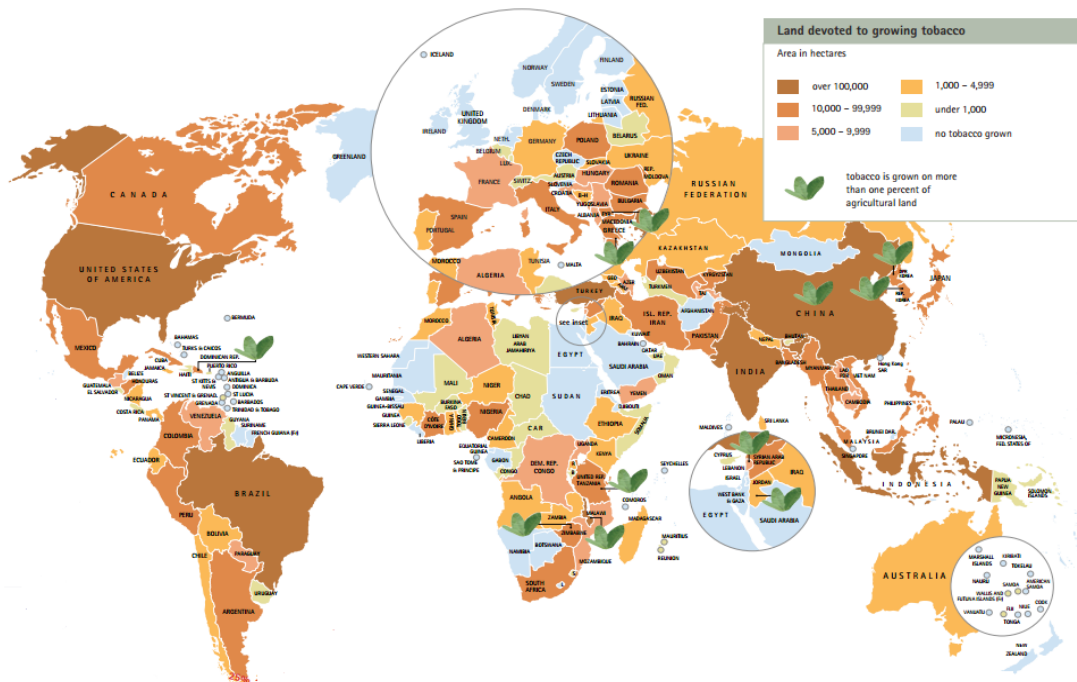
elements: the land devoted to growing tobacco has known a continuous growth between 2000 and 2012 (and, of course, until today), due to the role played by tobacco and tobacco related products in the lives of the consumers worldwide; the tobacco companies become more and more powerful and more and more reach with each year; the lands devoted to growing tobacco are especially found in less developed countries and statistics have shown that a significant number of children are used in the tobacco industry (see, in this matter, <http://www.bbc.com/news/business>).

In the lines below the evolution of the land devoted to growing tobacco is presented, taking into consideration two sets of data:

the ones obtained from the time period 2000 and 2001 and the most recent ones from 2012, in order to show its importance for the tobacco companies worldwide (see, in this matter,

Figure no. 1: “Land devoted to growing tobacco (2000 – 2001)” and Figure no. 2: “Land devoted to growing tobacco – 2012”).

Figure no. 1: “Land devoted to growing tobacco (2000 – 2001)”



Source: 2017 World Health Organization (W.H.O.), “Land devoted to growing tobacco”, with data available from 2000 and 2001, a time period when the world’s five leading producers of tobacco leaves were China, India, Brazil, U.S.A. and Turkey (as shown from the available figures in thousands of metric tons in 2001), <http://www.who.int/tobacco/en/atlas16.pdf>, accessed on the 10th of April 2017.

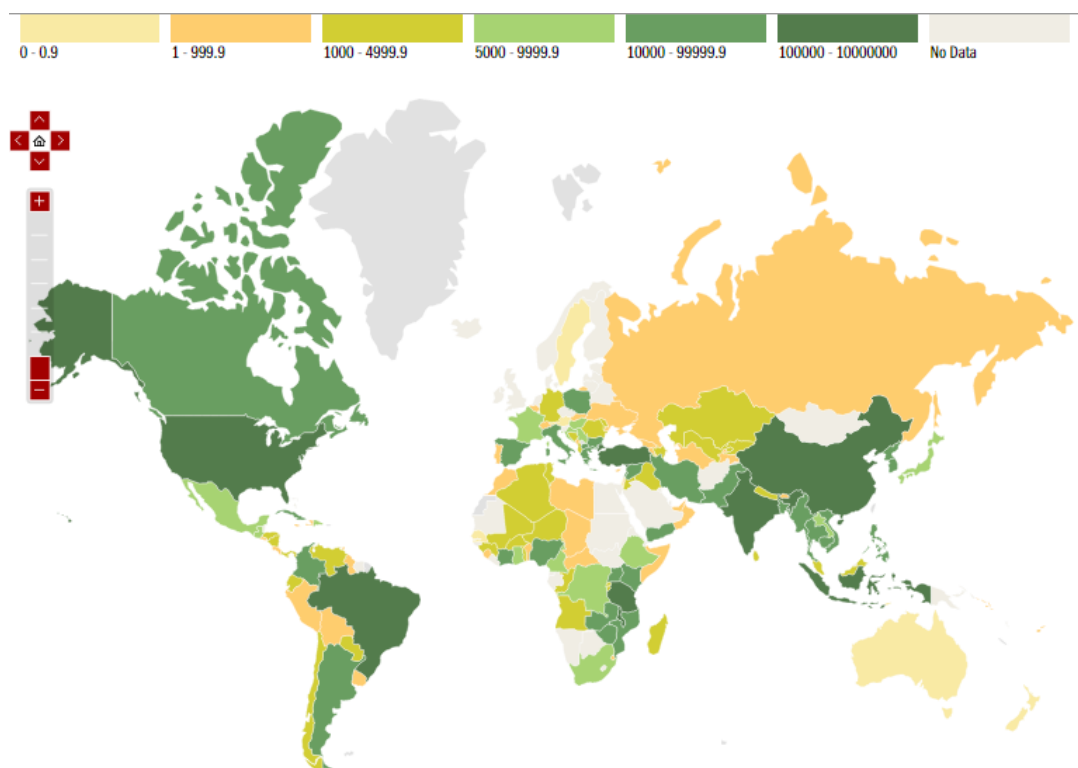
The map’s legend: Production by country: area in hectares, 2000 – 2001.

It can be noted that the land devoted to growing tobacco has encountered a continuous growth rate during the time period 2000 – 2012, and the latest data have shown the following key elements (IBISWorld, 2016) (see, in this matter, Figure no. 2: “Land devoted to growing tobacco – 2012”):

- Tobacco is grown in over 125 countries around the world.
- Tobacco is grown on less than 1.0% of the world’s agricultural land.
- Tobacco is grown on over 4.0 million hectares of land, and a quarter of them are in China.

- The global tobacco crop is worth approximately \$20.0 billion.
- Since the 1960's, the tobacco production has moved from America to Africa and Asia.
- The land on which tobacco is growing has been halved over the years in the U.S.A., Canada and Mexico, but has almost doubled in China, Malawi and Tanzania.
- According to the most recent statistics (the data available from 2016), tobacco leaf production in China was in total 3.0 million tons.

Figure no. 2: "Land devoted to growing tobacco – 2012"



Source: 2015 Tobacco Atlas, <http://www.tobaccoatlas.org/topic/growing-tobacco/>, accessed on the 10th of April 2017.

The map's legend: Production by country: area in hectares, 2012.

According to the data presented in Table no. 3: "The world's top five tobacco producing countries (Tobacco, unmanufactured)" and according to the elements emphasised in Figure no. 3: "Leading tobacco producing countries worldwide in 2015 (in 1,000 metric tons)", today the world's top

tobacco producers are China, followed by Brazil and India and the countries with the highest level of cigarettes consumed are China, Russia, U.S.A., Indonesia and Japan (Eriksen M, Mackay J, Ross H., <https://top5ofanything.com/list/d9bc4475/Countries-That-Consume-the-Most-Cigarettes>).

Table no. 3: "The world's top five tobacco producing countries (Tobacco, unmanufactured)"

Position	Country	Tobacco Production Quantity (metric tonnes; m/t)				% of World Total in 2013
		2011	2013	2014	2015	
1.	China	3,157,000	3,148,547	2,997,050	3,400,000	42.3%
2.	Brazil	951,933	850,673	862,396	875,000	11.4%
3.	India	830,000	830,000	720,725	810,550	11.1%
4.	U.S.A.	271,363	345,837	397,535	345,837	4.6%
5.	Indonesia (the 5th in 2013, 2014 & 2015)	130,300	260,200	196,300	226,700	3.4%
	Malawi (the 5th in 2011; the 6th in 2015)	174,928			151,150	

Source: The Authors' adaptation after the data available online at the following links: <https://www.statista.com/topics/1593/tobacco/>; <https://www.statista.com/statistics/261173/leading-countries-in-tobacco-production/>; <http://www.countryranker.com/the-top-5-countries-that-produce-the-most-tobacco/>; <http://www.mapsofworld.com/world-top-ten/tobacco-producing-countries.html>; <https://www.torchcigarbar.com/the-biggest-tobacco-producers-in-the-world/>; <http://www.worldlistmania.com/largest-tobacco-producing-countries-in-the-world/>; www.fao.org/faostat/en/; <https://top5ofanything.com/list/Tobacco-Producing-Countries>; <http://www.perfectinsider.com/top-ten-tobacco-producing-countries-in-the-world/> (for the latest data available for 2015); and The Jakarta Post, Hans Nicholas Jong, "Indonesia on track to world's highest smoking rates", Jakarta, Wed, June 1, 2016, the data available online at the following link: <http://www.thejakartapost.com/news/2016/06/01/indonesia-on-track-to-worlds-highest-smoking-rates.html>, accessed on the 10th of April 2017.

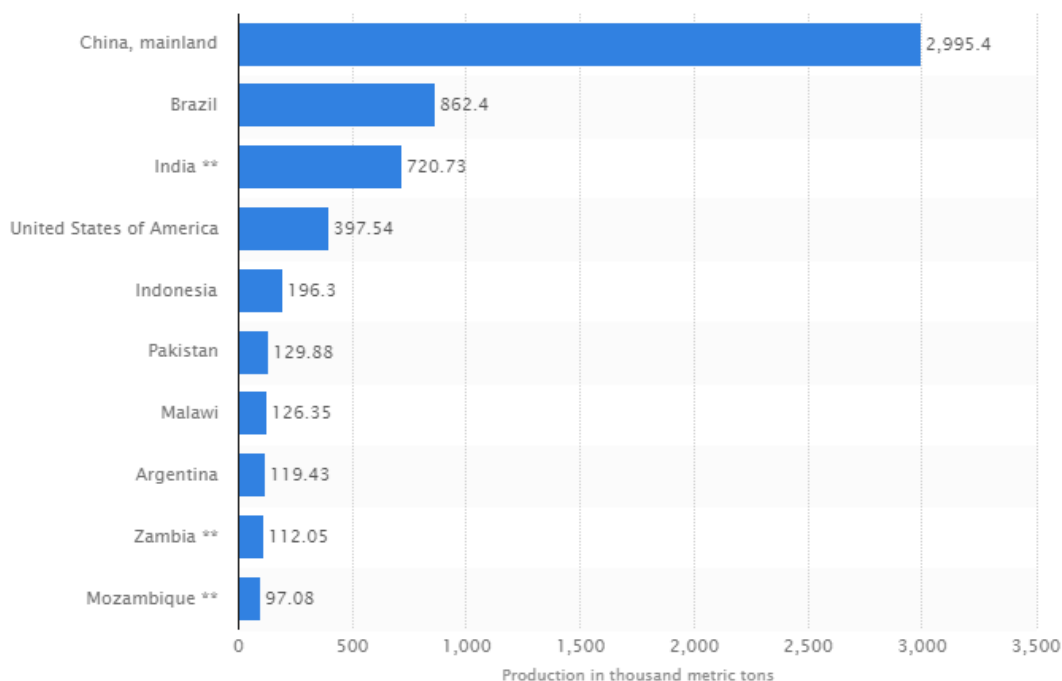
In the lines below a few concluding remarks were presented after the data analysis of the elements reflected in Table no. 3: "The world's top five tobacco producing countries (Tobacco, unmanufactured)":

1.) The world's top five tobacco producing countries are today China, Brazil, India, U.S.A. and Indonesia (according to all the bibliographical references presented in the source of the table above). In 2011, Malawi occupied the fifth position, while starting from 2013 until present the fifth position belongs to Indonesia. In 2013, Zimbabwe (150,000 m/t) occupied the sixth position of the chart, followed by Malawi (132,849 m/t), Argentina (115,334 m/t), Pakistan (108,307 m/t) and Turkey (90,000 m/t). In 2015 Malawi occupied the sixth position, followed

by Argentina (148,000 m/t), Tanzania (120,000 m/t), Zimbabwe (115,000 m/t) and Pakistan (102,834 m/t), in terms of production in tonnes.

2.) According to specialists (The Jakarta Post, 2016), Indonesia is believed to become the country with the world's highest smoking rates (cigarette consumption) in the next decade. In June 2016 Indonesia was placed on the fourth position, after China, Russia and U.S.A., on the list of countries with the most smokers, but is currently planning to double its tobacco production (to 524.2 billion cigarettes per year by 2020), while other countries are enforcing tough tobacco controls. In addition, according to recent statistics, Indonesia the world's highest smoking prevalence among males, as 67.4% of males over 15 years old smoke.

Figure no. 3: "Leading tobacco producing countries worldwide in 2015 (in 1,000 metric tons)"



Source: Data available at the section "Leading tobacco producing countries worldwide in 2015 (in 1,000 metric tons)", the data available online at the following link: <https://www.statista.com/statistics/261173/leading-countries-in-tobacco-production/>, accessed on the 10th of April 2017.

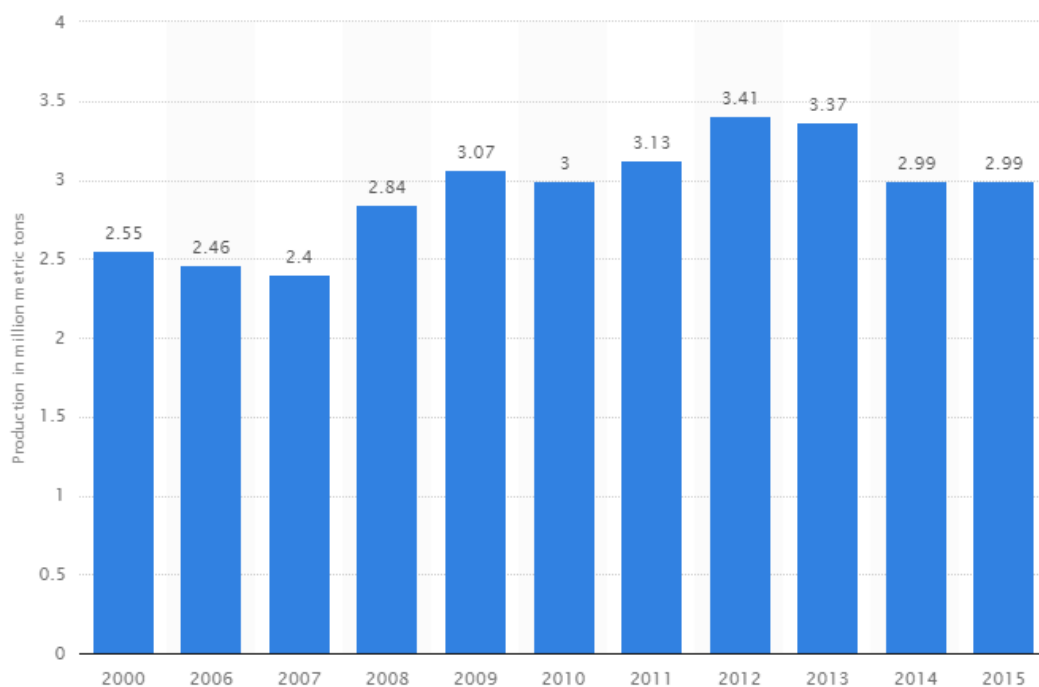
The figure's legend: Production in thousand metric tons. This statistic shows the worldwide tobacco production in 2014, by country.

The Tobacco production in China from 2000 to 2015 (in million metric tons) can be regarded in a positive manner, due to its growing rate (see, in this matter, Figure no. 4: "Tobacco production in China from 2000 to 2015 (in million metric tons)").

In this figure it can be noted that in 2009 China's tobacco production amounted to 3.07

million metric tons, in 2010 decreasing to 3.00 million metric tons, and in the time period 2011 and 2012 China's tobacco production amounted to 3.13 million metric tons and respectively 3.41 million metric tons, decreasing once again in 2013 to 3.37 million metric tons, and registering the same value in 2014 and 2015, respectively 2.99 million metric tons.

Figure no. 4: "Tobacco production in China from 2000 to 2015 (in million metric tons)"



Source: Data available at the section "Tobacco production in China from 2000 to 2015 (in million metric tons)", the data available online at the following link: <https://www.statista.com/statistics/261173/leading-countries-in-tobacco-production/>, accessed on the 10th of April 2017.

The figure's legend: Production in million metric tons. The statistic shows the tobacco production in China from 2000 to 2015.

3.) Which are the biggest tobacco companies in the world?

The third part of the paper entitled "Tobacco Market Opportunities, Trends,

Analysis and Statistics – The latest market trends and hidden opportunities in Romania" focuses itself on providing an answer to the following question: "Which are the biggest tobacco companies in the world?" in order to present

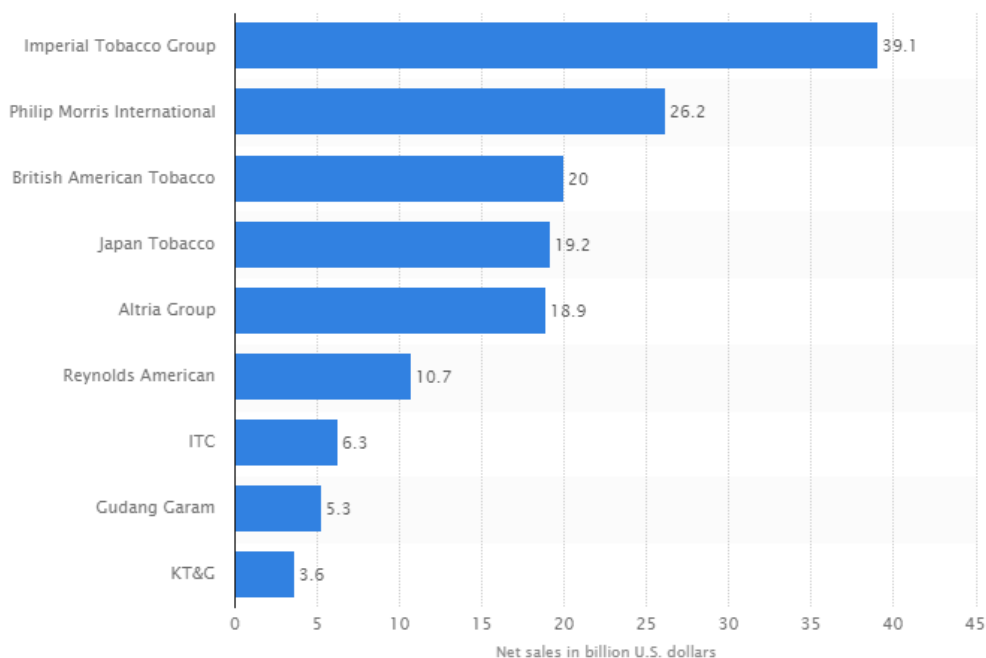
the world's tobacco industry leaders, as well as the latest trends and future predictions concerning this strong and competitive industry.

The figure below presents the top ten biggest tobacco companies worldwide in 2016, based on net sales (in billion U.S. dollars) (see, in this matter, Figure no. 5: "Largest tobacco companies worldwide in 2016, based on net sales (in billion U.S. dollars)"), which positions the Imperial Tobacco Group at the top of this rank, with 39.1 billion U.S. dollars, followed by Philip Morris International Inc., with 26.2 billion U.S. dollars and British American Tobacco, with 26.2 billion U.S. dollars. Reynolds American occupies the sixth position in this ranking, with 10.7 billion U.S. dollars.

Imperial Tobacco Group describes its business as "an international fast-moving consumer

goods company", which takes pride in focusing on maximizing the market's opportunities and is keen on providing sustainable returns to the shareholders (Imperial Tobacco Group PLC, 2015). This company's strategy aims to "maximize sales", "more effectively manage the working capital", strengthen its portfolio of products and develop worldwide at a fast pace, taking into consideration the "cost optimisation" and the "capital discipline", while in the meantime also supporting growth by having a "strong governance", "acting responsibly", "managing risk" and "rewarding success" (Imperial Tobacco Group PLC, 2015). Imperial Tobacco Group presents itself as a company "committed to growing at least 10% a year over the medium term" (Imperial Tobacco Group PLC, 2015).

Figure no. 5: "Largest tobacco companies worldwide in 2016, based on net sales (in billion U.S. dollars)"



Source: Data available at the section "Largest tobacco companies worldwide in 2016, based on net sales (in billion U.S. dollars)", the data available online at the following link: <https://www.statista.com/statistics/259204/leading-10-tobacco-companies-worldwide-based-on-net-sales/>, accessed on the 10th of April 2017.

The figure's legend: The companies' ranking is done according to the net sales in billion U.S. dollars.

As shown in the table below (see, in this matter, Table no. 4: “The six largest tobacco companies worldwide ranked by enterprise value (in billion U.S. dollars) in 2016”), at the beginning of 2017 the “rules of the game” have changed due to the fact that British American

Tobacco and Reynolds American have united their forces, which placed British American Tobacco at the middle of January 2017 on the first position of the top of the largest tobacco companies worldwide according to the enterprise value (in billion U.S. dollars).

Table no. 4: “The six largest tobacco companies worldwide ranked by enterprise value (in billion U.S. dollars) in 2016”

The biggest tobacco companies in the world		
Position	Company	Company's value in 2016
1.	Philip Morris International Inc.	\$175 billion
2.	Altria Group Inc.	\$139 billion
3.	British American Tobacco	\$129 billion
4.	Reynolds American	\$89 billion
5.	Tokyo-listed Japan Tobacco Inc. (TYO: 2914)	\$68 billion
6.	London-listed Imperial Brands PLC (LON: IMB)	\$61 billion
At the beginning of 2017, British American Tobacco becomes the biggest tobacco companies in the world. At the middle of January 2017, British American Tobacco acquired the remaining 57.8% stake of Reynolds American Inc., which the company did not already own. British American Tobacco new goals are the following ones: becoming more innovative and more focused on brand building, becoming more focused on the next generation products.		

Source: Data available at the section “Major Tobacco Firms by Enterprise Value” by Dyfed Loesche, January 18, 2017, 2017 Benzinga.com, the data available online at the following link: https://www.statista.com/chart/7637/major-tobacco-firms-by-enterprise-value/?utm_source=Infographic+Newsletter&utm_campaign=17613e3816-InfographicTicker_EN_Early_00004&utm_medium=email&utm_term=0_666fe64c5d-17613e3816-295518549, accessed on the 10th of April 2017 and at the section “The Biggest Big Tobacco Companies” by Jayson Derrick, Benzinga Staff Writer, January 18, 2017, the data available online at the following link: <https://www.benzinga.com/news/17/01/8917180/the-biggest-big-tobacco-companies>, accessed on the 10th of April 2017.

The figure's legend: The companies' face value is in billion U.S. dollars. Since November 2016, the companies' face value is value of common stock + market value of preferred equity + market value of debt + minority interest – cash and investments.

4.) What are the latest tobacco market trends and hidden opportunities in Romania?

The fourth part of the paper entitled "Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania" focuses itself on providing an answer to the following question: "What are the latest tobacco market trends and hidden opportunities in Romania?" in order to show the latest tobacco market trends and hidden opportunities in Romania.

In the European Union the tobacco manufacturing is increasingly concentrated and dominated by four large multinational companies (according to the data provided by the Council of the European Union. European Commission, 2012): British American Tobacco (B.A.T.), Imperial Tobacco (I.T.), Japan Tobacco (J.T.), and Phillip Morris International (P.M.) (which are referred as "Big Four") shared 91.41% of the European Union cigarettes market, up from 59.4% in 2000. Moreover, taking into consideration the data referring to the

trade flows between tobacco-growing, tobacco-producing and tobacco-consuming countries (according to the data provided by the Council of the European Union. European Commission, 2012), Romania positions itself on the third place among the main cigarette manufacturing countries, together with Germany (the first position in this top), Poland (the second position in this top), Hungary, Greece, Lithuania, Netherlands, Portugal, Czech Republic, and Italy. Furthermore, specialists believe that for Romania 2016 was the year of new challenges, especially due to the impact of new prohibitions concerning the ban of cigarette consumption in public places, which will implicate a shift in alternative solutions (Adrian Negrescu, 2016)

Conclusions:

The paper entitled "Tobacco Market Opportunities, Trends, Analysis and Statistics – The latest market trends and hidden opportunities in Romania" stresses the importance and the role of the industrial tobacco market worldwide from an economic perspective.


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Economic populism between charismatic and authoritarian leadership

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Abstract: Populism and its new forms, labelled as neo-populism, have become political practice lately with major consequences that exceed the political discourse sphere and have an impact on the content of representative democracies and parliamentarism.

The analysis of the leadership of those following this direction shows a tendency in changing the relations between the leaders and the citizens they target, evolving from charisma to authoritarianism. Under these circumstances, the support of the majority of the electorate legitimizes unilateral decisions that damage the desires of the same majority and the trust in the representative democracy. Influencing the vote through generous economic and social programs has become the core of the electoral discourses.

An important dimension of populism is the economic populism. The ones who will hold the power, will also have power over the resources allocation. Thus, the national interest can be replaced with the personal interest of some social categories that can also influence subsidiary categories of citizens. Therefore, the political populism is justified by the cultural populism, with emphasis on the ethnicity issue and the access to economic resources (only certain categories are entitled to access these limited resources, the rest

of categories are considered inappropriate). The mimicry of representative democracy will bring the denial of some fundamental values of democracy: tolerance, fight against racism, equal opportunities etc. In the name of general welfare, the charismatic leadership leads to authoritarianism within deeply divided societies, which are affected by economic and social inequalities in uncertain times which are considered to be threatening, especially regarding the resources.

Our research aims at bringing forward the relation between populism and leadership, and emphasizing the evolutions of populism in the political discourses towards legitimization of economic and cultural populism.

Keywords: populist discourse, economic populism, charismatic leadership, authoritarian leadership, representative democracy

Introduction

Given the economic crisis in the USA and Europe, we can state that the second decade of the 21st century is marked by populism. The rise of the conservative Viktor Orban in Hungary or that of the charismatic Alexis Tsipras in Greece, were only the beginning; the climax was reached in 2016 when the Great Britain adhered to the anti-European populist discourse of Nigel Farage and voted to leave the EU and Donald Trump became the 45th American president. The fact that Norbert Hofer, the Freedom Party candidate to the presidential elections in Austria, lost the elections should not make us forget he actually won the first round of voting and that the difference between him and his rival in the decisive round was of less than a percent. In the same way, the fact that Marine Le Pen lost the presidential elections in France should not make us forget that her score in 2017 in the second round of voting was double compared to the score obtained in the same type of confrontation by her father, Jean-Marie Le Pen and Jacques Chirac in 2002. This rise of the populist leaders confirms the observation of Heather Grabble who said that in May 2014, around one in

four Europeans voted for protest and anti-establishment candidates in the first pan-European poll since the euro crisis began (2014:79).

This is only the tip of the iceberg; in the last decade, the populist movements – right-wing populism targeting migrants and minorities in the North, left-wing populism rooted in the communist period, in the South¹ – has found considerable electoral support both in Western and in Eastern Europe. Yet, Minkenberg argues that there are some differences: while in the west part of Europe conservative parties tamed the populist's electoral success, in Eastern Europe the populist contagion towards mainstream parties has certainly happened.

The quick seize of the public sphere, the ambivalent relationship with democracy as well as the ubiquity of this concept, has attracted a considerable interest from scholars as well as from public stances (politicians, journalists, analysts) and inspired much debate and much confusion (Stanley, 2008: 95). It has been studied from various theoretical

¹ Not only post-communist countries, but also democratic countries dabbled the communist ideology (Greece, Italy, Spain)

perspectives, including structuralism, post-structuralism, social movement theory, political economy and democratic theory etc.; there were several methodological approaches employed, including archival research, discourse analysis, content analysis and formal modelling; its political, economic, social and even discursive futures were taken into consideration up to the point where the mercurial nature of populism has often exasperated those attempting to take it seriously (idem:108).

Theoretical Dimensions of Populism

However different, all scholars' perspectives on populism agrees on the Manichean dichotomy between Good – „the people” and Evil – „the elite” that oppresses it. On the left side of the political spectrum, one might place Latin American populist who favour state-led economies, employ inclusionary rhetoric and relied upon nationalism and charismatic authority to weld together various and often conflictual social constituencies (Collier&Collier, 1991) while on the right side, populism targets migrants as in the West and in the North of Europe (Mudde 2007) and minorities in Central and Eastern Europe (Pirro, 2015). Although often overlooked, nowadays Southern Europe populism blended inter-war far-right populism (Surugiu 2009) and left-wing populism rooted in the communist period.

According to Margeret Canovan one might trace several dimensions of this dichotomy: united people, an entire nation or county, in opposition to fractions and parties that divide them; our people, sharing the same „blood”, in contrast with „the others” who do not belong to the group; ordinary people, who are mobilized against highly

educated, cosmopolitan elite. Both „the people” and „the elite” are homogenous unities, fully formed, self-aware and identifiable.

There are four dimensions of populism in use in the social sciences nowadays: structural, economic, political-institutional and discursive. In this article, we'll focus on the first two approaches, even if until recently they were associated with the Latin America and the west-European political scientists had a condescending view on them in the context of the economic crisis in the United States and Europe. The structural and economic populism have started to show in this side of the world also. As Carlos Vilas stresses out, the structuralism approach claims that populism was a product of the historical conjecture which affected Latin America after the 1930's crisis busted. According to this view, populist regimes are those using cross-class coalitions and popular mobilization to support import-substituting industrialization (Malloy, 1977, Germani, 1978, Hamilton 1980, Kitching, G, 2010). This type of populism incorporated workers and capitalist within broad, multi-class political coalitions baking social reform and state-nurtured industrialization. It strongly relied upon nationalism and charismatic authority to weld together various and often conflictual social constituencies. It also made special appeals to urban workers and labour unions, who were bound to the state by corporatist mechanisms for the distribution of benefits and the exercise of political control (Conniff, 1982, Collier&Collier, 1991). Classical populism, as Cardoso&Helwege call in, links the working class with the industrial bourgeoisie and minimized interclass antagonisms through the propagation of a broadly nationalist ideology.

The economical approach of populism identifies it with output's policy appealing to a certain economical category (Dornbusch&Edwards, 1991). It sees populism as a political strategy used to signal to voters their inclusion (left parties) or other's exclusion (right parties) to/from the economical outputs apportionment. For above mentioned authors, "economic populism is an approach to economics that emphasizes growth and income redistribution and deemphasizes the risks of inflation and deficit finance, external constraints, and reaction of economic agents to aggressive nonmarket politics" (idem).

The populist leaders that promote economic arguments start from the existence and perpetuation of the conflicts based on economic dissatisfaction and social inequalities. The conflict has arisen and arises wherever there are people, ideas, values, circumstances, styles and standards that can create conflict, which means that anything can become the source of a conflict: objectives, goals, aims, unconfirmed expectations, customs, prejudices, personalities and ideologies, competition, sensitivity and offense, aggressiveness and many more. (V. Păuș, 2006: 261) Sam Deep and Lyle Sussman (1996:120-121) say that some of the causes of conflict perpetuation might be that in a world that is more and more complex and diverse, different persons want different things and there a few things that can satisfy everyone. Moreover, we live and work in a world that sets limits on our resources; we rarely get exactly what we want or, better said, we try to get the most we can given the options provided and limits imposed.

In this context, the leader who presents the most generous economic and social

programs and can prove to also have the means to develop them, can influence the voters' choices. For instance, some mayors' success in the elections, who have successive mandates and without any critical perspective, promise a continuous town development, becoming themselves the guarantee of the project achievements that will improve the citizens' welfare. We can also consider to be economic populism the political success gained at some point by Gigi Becali through the generous donations and charity works and also through his discourse marked by Christianity and mercy.

The economic populism is more noticeable in the poor countries. For the northern countries, these rights are in the normal order of things, as part of the national income is shared. They rarely appear as populist arguments. Nonetheless, without being considered a populist discourse, the economic and social programs presented by Emmanuel Macron, the new president of France, that supposedly gained him votes, start from a point in which France already has an economic rise, even since Sarkozy and Hollande were in office. From this point of view, we can consider Macron's political communication to be effective, legitimate and consensual, aiming at „gaining the trust and approval of the voters to achieve the established direction" (Antonio Momoc, 2014: 67).

Dominique Reynié, professor at Sciences Po Paris, explains in his book *Les nouveaux populismes*, (Nouvelle édition augmentée, Pluriel, 2013) the success of the current populisms through the inability of the political elites to respond to the economic issues in those countries and the effects of multiculturalism through the exponential increase of the workforce migration from the poor

areas to those with developed economies and that of the refugees in conflict zones (apud Chantal Tauxe, (2015) *Peu de pays européens y échappent, le populisme, fils de la crise, fleurit telle la mauvaise herbe. Mais pourquoi prend-il une telle ampleur? Décryptage en huit points.* <http://www.hebdo.ch/hebdo/cadrages/detail/comment-les-nouveaux-populistes-nous-manipulent>).

The political scientist Dominique Reynié speaks about a patrimonial populism with two great dimensions: the conservative and fierce defense of a material patrimony, represented by the standard of living, and a non-material patrimony, which is the lifestyle. The populism uses forms of impugnement in order to defend these two dimensions that are threatened in Europe by the aging population and immigration (Dominique Reynié, 2011).

The populist leader

If we define the leadership as influence on communication (Teiller, Y., 1999: 126), and take into consideration the specificity of political leadership which aims at deliberately influencing the voters on a short term, especially in the political campaigns; we appeal to an enhancement of the charismatic and polemic features of the programmatic discourses, while the receiver is not necessarily aware of the fact that he is being influenced intentionally.

If we refer to the theories of emotional intelligence, the purpose of these leaders is to obtain, through charisma and empathy, a "state of simultaneous vibration", an emotional harmonization which makes people vibrate in contact with the optimistic and enthusiastic energy of the leader. One of the

main features of the leadership based on emotional intelligence is that the resonance amplifies and extends the emotional impact of the leader. When people resonate better among themselves, their interactions become less and less static. The leaders who have a superior emotional intelligence create resonance instinctively (Daniel Goleman, Annie McKee, Richard Boyatzis, 2007: 42).

The populist leader uses different discursive strategies in order to create a charismatic image. Patrick Charaudeau identifies three discursive hypostases: building the self-image, so that he becomes credible (credibility ethos) and, at the same time attractive (identification ethos) to his voters (Charaudeau, 2005, apud Charaudeau, 2011), as well as the strategy of values presentation, so that the citizen embraces them enthusiastically. The important thing in the political discourse is not simply the truth, but also the persuasion force of the discourse and its truthfulness (Charaudeau, 2011:105).

The core of the populist discourse is the natural antagonism between the "pure, virtuous people" and the "corrupt elites" (Albertazzi & McDonnell, 2008; Mudde, 2004). The one who is summoned to solve the issue and restore the people's rights and sovereignty is the populist leader. He criticizes the elites for hampering the centrality of the people (Roodujin, 2013) and wants to grant the people its power and voice (Albertazzi & McDonnell, 2008). As Daniela di Piramo avers in the preamble of her article stress:

"The charismatic populist leader fascinates, mystifies and excites. Populist leaders etch their mark deeply and indelibly on the canvas of national and global history; often colourful and flamboyant, they are successful at forging a bond with their followers that

rarely fails to include moral or religious overtones. Populist leaders affirm to be speaking for and with the people; beyond mere representation, they claim to personify the people and to be prepared to faithfully follow something relatively similar to what Rousseau referred to as the "general will". In the midst of this tumultuous identification and bonding process, institutional boundaries and conventions are often disregarded, if not derided, in favour of unmediated contact with their citizens."

In order to resonate with the citizens' feelings, the populist leaders create scenarios using three discursive moments, as Patrick Charaudeau says: 1) to prove that the society is in a disastrous social state and that the citizens are its first victim; 2) to determine the source of the evil and who is responsible for it, therefore the rivals; 3) to announce the solutions he forecasts (P. Charaudeau:105).

As Canovan (1999) argues, populist leaders reject backroom deals, complicated procedures, secret treaties, coalition-building, or technicalities. In the meantime, they advocate an unmediated, transparent, and simple link between the people and their government favoring direct democracy and referendums as well as directly elected leaders and reduction of powers of the parliament and other intermediary bodies (Albertazzi & McDonnell, 2008). Also, populists reject constitutionalism and representation (March, 2012) as well as other institutions or procedures "which impede the direct and full expression of the people's voice" (Mény & Surel, 2002, p. 9). In their rhetoric, the established political parties "corrupt the link between leaders and supporters, create artificial divisions within the homogeneous people and put their own interests above those

of the people" (Mudde, 2004) and, therefore, any collaboration with them is forbidden. In contrast, populists are one with the people and instinctively know what the people wants (Albertazzi & McDonnell 2008). The populists see themselves as the voice of the people and emphasize the idea of popular sovereignty (Meny & Surel, 2002, Rooduijn, 2013).

One of the features of the populist leadership is putting the representative democracies between brackets and referring directly to the "political elites".

In our opinion, this is the origin of the transformation of charisma into authoritarianism. The argument invoked by these leaders is that the desires and aspirations of the majority of citizens will be accomplished only through the legal authority they will be given and authoritarian measures. Here we find a paradox that the civil society does not seem to notice: the authoritarianism as political practice means denying or ignoring the political opposition and also the opinion of the civil society. Under these circumstances, the populist leaders promise a non-coercive, manipulative leadership, while the civil society assumes the role of gatekeeper of the law and censor for applying the electoral programs, assuming a collective coercive leadership with the elected leader and his government.

Sometimes, winning positions through populism is followed by authoritarian measures imposed by the results of the vote. For instance, the populist discourse of the leader Farage who has tilted the balance of the referendum towards the Great Britain leaving the EU; also, the discourse and authoritarian position of the current prime minister, Theresa May, who has to meet the challenges

of Brexit and its consequences for the United Kingdom.

Another issue we can discuss is that of Donald Trump winning the elections in the USA. Although his discourse is mostly populist, the structure of his personality is authoritarian. An American magnate with a fabulous fortune, he has promoted all along the competition, lack of tolerance and harshness in decision-making (also see the American series *The Apprentice* (2004), a reality show produced by NBC whose star was Donald Trump himself). To a certain amount, the Americans' vote denied the fundamental values of democracy: tolerance, cultural anti-racism, ethnic non-discrimination etc. On the other hand, his discourse has awoken the American Dream in the common citizen, who could live in a flourishing America. Trump's choice was the society's need for authoritarianism in uncertain times, perceived as threatening, especially regarding the resources and the individual chances at success in a genuine multicultural society. If we were to label the most recent three leaders who had an impact on the United States, we can state that Barack Obama was a democratic-charismatic leadership, Hillary Clinton a democratic-uncharismatic leadership and Donald Trump, an authoritarian-charismatic leadership.

Conclusions


Regardless of its origin and form, the populism (ideological, economic or cultural) is a product of the crisis, which can be political, economic, of identity or of any other kind, a product of the economic globalization, of multiculturalism with its consequences and globalization of communication. Considered to be an ideological melting-pot, it is the

answer to the dissatisfaction and frustrations of large categories of citizens. New media and free communication on Facebook give the opportunity of not only expressing ideas and opinions, but also to gather in real time large groups of protesters that adhere, sometimes through manipulation, sometimes out of conviction, to the populist ideas conveyed; here is where we find a new tendency – not necessarily a formal or informal leader or a political group, but a plurality of voices, more or less disparate, which manage however to unite and form large-scale protests, which are then monopolized by populist leaders. Charlene Li, in *Open Leadership: How Social Technology Can Transform How You Lead* (2010), talks about “openness, transparency and authenticity” as the fundamental precepts of leadership. In this work, Charlene Li provides resources for leaders willing to use social media while maintaining control. It ensures communication and social media connectivity and leads to a shared communication (culture of sharing) (apud V. Păuș, 2013).

We think that we can talk about a new kind of leader, the savior leader (P. Charaudeau, 2011), recognized not through representative or elective democracy, but through the polymorphic voice of some large collectivities, whose voice and influence are visible in both public and online markets. We talk about a generalized empathy that goes beyond the geo-political borders and finds convergence and support, among other things, in all types of populism that impregnates the political and media discourse from Europe to the Latin America.

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Dealing With The Shadow Economy In Terms Of Innovation And Creativity

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Abstract: *The shadow economy, perceived herein as reflecting the monetary transactions unreported to the related authorities, thereby being “exempted” from the payment to the same of the related taxes, represents a key issue affecting countries all around the world by decreasing, to a larger or lesser extent, the general welfare. Considering its importance, adequate measures should be taken so as to succeed in turning a situation apparently unsolvable into a favourable one. However, given that, despite of the law-related risks to which they are subject, the individuals involved in such activities are animated by very strong reasons to proceed that way, finding best possible solutions, either punitive in nature or stimulating and motivational, is a matter not only of knowledge, but also one of creative ideas, and, certainly, not a panacea, but a situational process.*

Keywords: shadow economy, tax avoidance, welfare, macroeconomic policies, creative ideas

JEL Classification: E26, E61, H62

1. A brief journey into the mind of shadow economy promoters

The present paper represents an incursion into the shadow economy, meant for identifying the main influencing factors determining individuals to evade taxes, thereby breaching the laws in force in the matter, with all related consequences, and for revealing, by resorting to innovation and creativity, some possible ways to push things into the right direction.

Several questions could be raised when approaching this topic: Which is the triggering element for making such radical decisions, for such actions? What is in the mind of that individual in that very moment? In there a deliberated, consciously assumed action or just a sudden, unconscious one? Which would be the behavioural pattern for such an individual? Is that kind of decision assumed by certain types of individuals? ... and the list could, indefinitely, continue.

The answers to each and every question are complex, in any such cases "it depends" being present.

Individuals are very different from one another and so are the contexts they live and act in: more or less intelligent, more or less educated or qualified, more or less emotional, more or less under the influence of others, more or less in a critical situation, financial or otherwise in nature and so on. The element triggering the reaction, deliberated or not, for breaching the law is highly dependent on the above-mentioned: on people nature and contexts.

Staying home and producing something that is subsequently sold, without being officially reported, a sort of unreported self-employment, can be determined by the need of an individual to find some minimum

subsistence means for him/her and his/her family, in the absence of an official job, or it can be about a person needing, for increasing his/her life standard or the life standard of his/her family, to add something more to the wage obtained from an "official" job. In such case, the risk of being caught is covered by the need to survive or to have a reasonable life.

But how deliberated could that be? A clear delimitation between consciousness and unconsciousness is not always possible. That person could fully ignore unfavourable consequences because the need is so strong that the risk ceases to be a problem for the moment, or because he/she is ignorant, not knowing he/she is breaching the law or, even more, because he/she is confident that there is a very low chance to be caught.

On the contrary, another individual, also unofficially self-employed, could avoid paying taxes for the income obtained as result of his/her activity, not because his/her life standard would be affected thereby, but because he/she considers that the state does nothing to help him/her, so, being on his/her own in all respects would be just the right way to follow. And, anyway, once again, why being caught? If you know how to act, why fearing? In any case, some money lost if caught is less than the entire amount of money that should have been paid if declared as required. All true, maybe, just maybe.

Going forward, the unofficially self-employed decides developing and creates an entire business. He/she is not any longer alone in that affair, but other persons are involved as well. And they are paid. And they work because their need for money, in the absence of an official job, is stronger than the law or because their official jobs do not provide

them with incomes high enough so as to have a normal, reasonable life, or, perhaps, because they want to have a significantly better life, or because they do not understand why to pay to the state on and onor just because. Now not only our main character's income, became profit, is unreported to the tax authorities, but also the incomes of his/her unofficial employees, the so-called wages, and so are the unreported wage-related-contributions. And, thus, we see a rolling effect of non-reporting...

Certainly, now, you could ask why an individual, acting on his/her own just to help himself/herself and/or his/her family to survive, would turn from a self-employed into a "businessman". Maybe because money is feed with money, because he/she can see that a better life is possible or just because nobody does anything to impede him/her to go on in that direction. He/she is happy, already accustomed with that situation and not fearing any longer the law threat (if ever did), the people working for him/her is also happy for having a job (be it unofficial, without the associated benefits of an official wage), so life must go on.

Going even forward, for certain reasons, known only by him/her, for whatever external funds he/she could access, our individual decides to set up an official business but, as old customs do not perish so soon, he/she officially employs just few persons, all others continuing working unofficially as before.

Is it possible to outline a universal pattern for such character? No, certainly not. And we are talking just about few possible cases.

Afterwards, who is to blame? The person in need, not understood by the society and trying "to do justice" for him/her or for

his/her family, the individual not supported, in any way, by the same society, neither financially nor as concerns medical or social-security related issues for which he/she is required to pay, to mention just two important issues? Or the authorities, which, deliberately or not, turn they "face" away when coming about helping their people, when being about doing their best to provide the same with everything necessary to have a normal, safe and confident life?

Maybe the answer is somewhere at the midway. Both parties have their share of guilt and both their reasons to act that way, more or less pushed by circumstances. However, such issues should be settled, in one way or another, in a favourable direction, if not for each and every individual, at least for most of them, for the well-being of the whole. And this is, without any doubt, the responsibility of the entitled parties, the macroeconomic authorities, having at their disposal the necessary power to act, by resorting to the right instruments, for reasonably balancing such cases.

2. Setting the pattern of the shadow economy

Although the shadow economy represents just a part of the of a larger context, namely the underground economy (the latter encompassing also the black economy, another destructive component), synergically affecting, to an increased extent, the real economy in its entirety, both by the funds due to the state and not received by it and by other indirect issues, rather related to the decrease of the quality of life, diseases, injuries and deaths (as result of the use and trade of drugs or weapons, due to gambling,

prostitution and many others), our focus hereinafter will be exclusively on the shadow economy pattern.

In this paper, the shadow economy is approached strictly as that form of undesired economy characterised by unreported, non-criminal monetary transactions, more exactly by incomes of any kind: wage-related incomes, profit-related incomes, tips-related incomes or similar others not officially declared and, thereby not subject to the legal taxation.

The target group when coming about the shadow economy is represented by individuals / groups of individuals, working on their own or under business-type organised forms and carrying out activities resulting in the production and/or trade of goods and/or services. However, unfortunately, due to corruption-related issues, the subjects supporting the shadow economy are to be found not only in the private area but, sometimes, also in the public one.

Considering the definition given by Smith (1994) to the unreported monetary transactions, as being reflected by the legal or illegal production of goods and services not included in the official estimated of the gross domestic product, we can identify the above-mentioned shadow economy subjects by revealing the Keynesian equilibrium on the market of goods and services:

$$GDP = C + I + G + NX$$

with GDP - the gross domestic product, standing for the aggregate supply of goods and services, and C, I, G and NX - private consumption, private investments, public (governmental) consumption and investments, respectively net exports, standing for the aggregate demand at macro-level.

It is, certainly, obvious that most of the shadow economy is related to private

consumption and investments as, on one hand, the Government, via its public consumption and investments, beyond the so unwanted but still existing corruption, is somehow more visible, by its actions, to the mass "audience" and more likely to be sanctioned by mass-media and, finally, by the electorate, this keeping its contribution to the shadow economy within certain limits, and, on the other hand, the exporters/importers are much more controllable, given the additional "barriers" they should pass when practising international trade.

Given that, the decisions made as for the diminishment, as much as possible, of the shadow economy in total real economy should be made, without forgetting about the public and international monetary transactions, with an intensive focus on the private area, more precisely on households, be they made by single individuals, family members, couples or groups of friends, and on companies, therefore targeting the economic agents most susceptible of being tempted to become involved in such activities.

This should be also done taking into consideration the level of development of the related economy, because, as revealed by the literature, the shadow economy covers about one third of the gross domestic product in developing countries as opposed to something more than ten percents of the same in developed ones, aspects detailed by Schneider and Enste (2000), and subsequently updated in Schneider (2002), Schneider, Buehn and Montenegro (2010), Buehn and Schneider (2016), Elgin and Schneider (2016), Schneider (2016) or Hassan and Schneider (2016), therefore strengthening the idea that the inappropriate social and economic conditions are the key elements exerting pressure

on people, pushing them towards shadow economy specific actions.

3. Dealing with the shadow economy in terms of creative ideas

Irrespective of the shadow economy approaching perspective, its overall effects on the society as a whole are not the most desirable ones, such circumstances imposing making adequate decisions not only to correct, as much as possible, the arising negative consequences, but also, most important, to succeed in impeding the manifestation of their origin causes.

As before-mentioned, the steps to be taken in such respect also depend on the level of development of the target economy, the range of instruments at hand in a developing country, for instance, being considerably more extensive than in a developed one, as the latter has probably already benefited from certain corrective actions in the matter having resulted in the diminishment of the shadow market.

However, leaving the economy development level aside, what kind of standard, universal measures would be recommendable for a country in order to deal with the shadow economy?

Any economy macroeconomic authority will certainly think, first of all, of implementing traditional policies oriented towards the increase of the overall economic comfort of its population, namely carrying out basic expansionary macroeconomic policies.

This would be translated, in terms of fiscal approach, by a reduction, by the Government, of the taxation level, with direct impact on the increase of the purchasing power of the private economic agents,

households or companies, therefore on a better living standard, associated with a decreasing temptation for performing in the shadow. The same Government could act in the direction of subsidising certain categories of economic agents, the ones more in need and, therefore, more likely to avoid reporting their incomes, of any type, to the entitled organisms. As for the budgetary policies, these are related to the augmentation of the public expenses, thus creating benefits at national level, with a surplus at the public sector level, as the case may be, via increased wages for those operating therein.

Expansionary monetary policies are not neglectable at all, this being transposed, by the decrease of the reserves funds imposed by the National Bank to the commercial banks, by the decrease of the monetary policy interest rate practised by the same in relation to such commercial banks or by the increase of the level of acquisitions of governmental bonds or treasury bills, into a larger monetary mass available for the national economic agents, therefore in a decrease of the interest rate, generating infinitely more possibilities for consumption and investments, thereby for being less restricted from a financial perspective and, thus, less inclined to resort to officially unreported monetary transactions.

Yet, beside such classical measures, there are also modern measures, more creative, that should be considered in dealing with the shadow economy, such as the development and implementation in schools of fiscal education-based programmes, the limitation, up to exclusion, of the cash transactions, by creating well-developed electronic payment services, the enforcement of a bonus / malus application, meant to encourage, by discounts, those constantly stating

their revenues and to discourage, by sanctions, ranging from penalties up to confiscation and/or work in favour of community, those trying to breach the law, the creation of a thorough networking-related communication system, allowing for the fiscal authorities, acting locally, nationally and even internationally, to have centralised databases in the matter, and so on.

Fortunately, some measures have been already tested and implemented in Romania, with more or less concrete impact on the real economic life, among which deserving to be mentioned the traditional measure, related to the decrease of the bakery products VAT from 24% to 9%, or the modern ones, related to the inverse, source taxation of profits for cereals and technical plants, the decision of organising bill-related lotteries, or even the reduction of the bureaucracy, by allowing for the virtual payment of taxes.

It is, obviously, a long way up to succeeding in aligning with well-developed countries from the perspective of lowering of the shadow economy to about 10% of the gross domestic product, but we should never give up. By constantly testing and applying measures directed towards the improvement of the existing circumstances, the beneficial results will not remain invisible. But it takes

time and involves patience, a lot of patience to succeed in reaching such desirable target.

4. Conclusions

In this paper, we undertook to create the profile of the underground economy subjects, trying to identify the key issues triggering their law-breaching decisions of hiding from the related authorities their arising income, and to set the general pattern of the shadow economy, so as to detect the areas to act on as well as the measures to implement therein in order to get favourable results at macroeconomic level.

Traditional or modern, rather based on creative ideas, taken over from others, considering their successful stories, or tailored according to the particularities of the target country, such measures oriented towards the diminishment of the shadow economy should become one of the most important steps to be taken by the national authorities, while permanently keeping in mind that the well-being of a nation should be seen through the eyes of its population, that a stable, sustained economy growth is to be reflected in a grounded increase of the people living standard, in the overall welfare.

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How To Manage Underground Economy-Related Issues

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Abstract: *The aim of the paper is to reveal the main causes and consequences of the underground economy, seen as a mix between the shadow economy, reflecting the officially unreported monetary transactions, and the black economy, consisting in the criminal monetary transactions associated with the latter. Given that the underground economy, as a whole, can stand for and/or deepen the budgetary deficit of any country, by diminishing the level of revenues to the state budget, leading, as a consequence, to restrictions as to the public spending volume, thereby adversely influencing the living standard of its population, the focus of the study is related to laying, to a reasonable extent, the general framework, for limiting, via well-grounded macroeconomic fiscal policies and other related, targeted measures, the negative effects of the same.*

Keywords: underground economy, shadow economy, black economy, budgetary deficit, macroeconomic policies

JEL Classification: E26, E61, H62

1. Introduction

The underground economy, with its miscellaneous meanings, perceived from different perspectives and being, therefore, more or less comprehensive, as we can see hereinafter, has, without any doubt, a significant, unfavourable impact on the economic well-being of a nation.

As any issue affecting the normal evolution of the real economy should be carefully approached in order to identify the appropriate, specific targeted measures to be taken via the existing instruments at hand, so as to create the pattern for a favourable settlement, to the largest possible extent, of the same, we undertook to render in this paper several important elements, relating to both its causes and the consequences.

Topic of interest and frequently considered by specialists in social and economic sciences all over the world, treated from various points of view in terms of impact at social and economic level, it remains, however, incompletely rendered and decrypted, aspect revealed by the significant level of such economy in relation with the gross domestic product registered by each and every country on the globe.

The same as in the case of indirect competitors which, unlike the direct ones, are difficult to detect, due to the fact that they are less visible, the underground economy, or, otherwise called, the hidden economy, raises various problems related to its true capturing, therefore imposing trials in terms of making decisions and implementing the same, most of them resulting, unfortunately, in partial or total failures in solving the problem.

Given the below-depicted multiple faces of the underground economy, the most important is to set disparate measures for its

distinctive composing elements, considering their particular features and the specificity of the generating related contexts and to enforce them individually, well targeted, hoping for an extended annihilation of such practices and/or, at least, for a reasonable covering of the resulting unwanted effects.

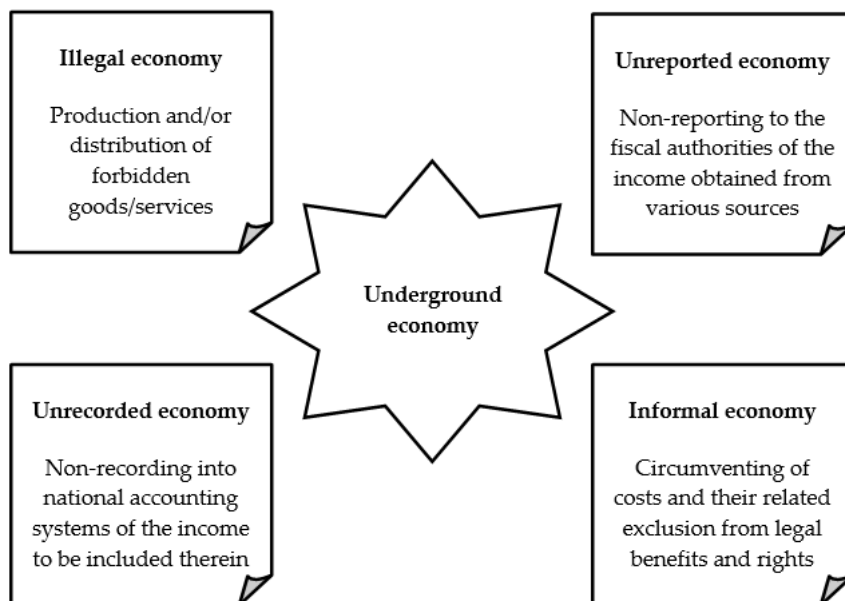
2. Overview on the underground economy

As above-mentioned, in Introduction, the underground economy is encountered in the literature, despite its main specific meaning, with many variations in terms of its extension or, more specific, in terms of its composing elements.

Thus, Investopedia provides us with a definition of a comprehensive underground economy referring to any illegal economic activity, either it is about an illegal provided product or about a legally unreported transaction, such economy being also identified as shadow economy, black market or informal economy.

Although highly comprehensive, the term of underground economy is not perceived in the vision of Feige (1990, 2016), as being identifiable with the informal economy, as defined in Investopedia, the latter being just an element thereof. More exactly, the underground economy is seen as consisting of four sub-components, namely: the illegal economy, the unreported economy, the unrecorded economy and the informal economy, as revealed by Figure 1.

Figure 1. Author's representation of Feiges's underground economy classification



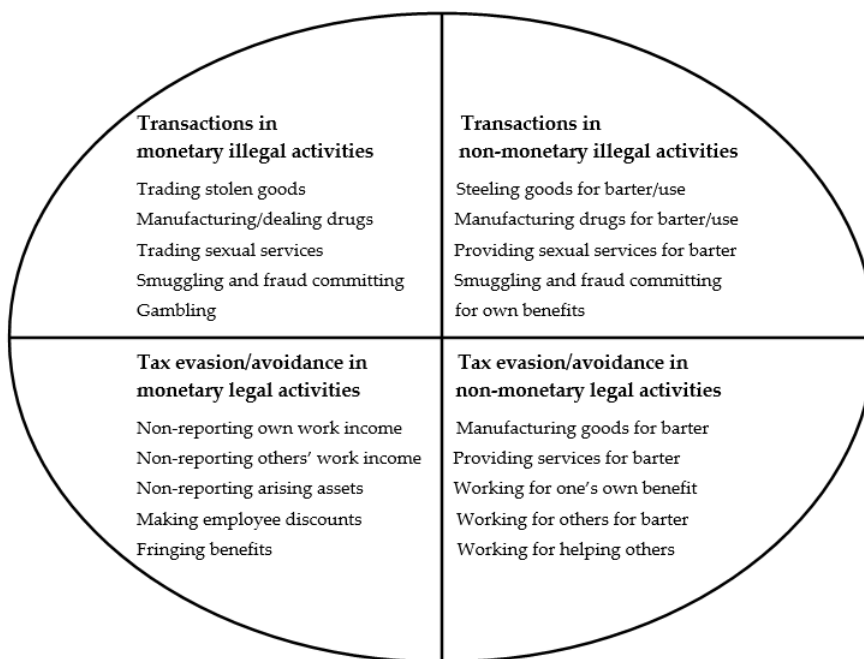
The Business Dictionary suggests us that the underground economy is an alternative term for designating the black economy, the parallel economy or the shadow economy and encompasses everything relating to transactions not being subject to taxation, therefore not included in the gross domestic product, to, usually, cash transactions recorded in officially invisible account books.

The same superposition of the underground economy, black economy or shadow economy term is encountered in Wikipedia, where this one stands for a clandestine type of market, for transactions characterised by

illegality or by breach of institutional rules.

Schneider and Enste (2000) assimilate the underground economy with the shadow economy, defining it, starting from the taxonomy of Mirus and Smith (1997), by splitting the same into four element-based matrix: transactions in monetary illegal activities, transactions in non-monetary illegal activities, tax evasion/avoidance in monetary legal activities and tax evasion/avoidance in non-monetary legal activities, as rendered in Figure 2.

Figure 2. Author's representation of Schneider and Enste's underground economy classification



Therefore, we encounter as many, more or less accurate and complete, definitions, as related inspirational sources, because, as well suggested by Mogensen et al. (1995), the shadow economy, used by the said author as a synonym for the underground economy, evolves based on the running water principle, adjusting itself to tax-related changes, to tax authority imposed sanctions or to general moral attitudes.

In order to simplify things, however without letting aside the above-mentioned related information, we would consider hereinafter the underground economy as being made of two specific sub-forms of economies, taken from this point on as stand-alone entities, relating to two main blocks of monetary transactions:

- the shadow economy, rendering officially unreported monetary transactions, such as:

- unreported incomes from self-employment or other activities

- unreported wages, in part or in full, from official or unofficial use of the labour of others

- unreported profits

- unreported tips of any kind

- etc.

- the black economy, reflecting the criminal monetary transactions, like:

- trading drugs

- trading weapons

- making traffic with organs

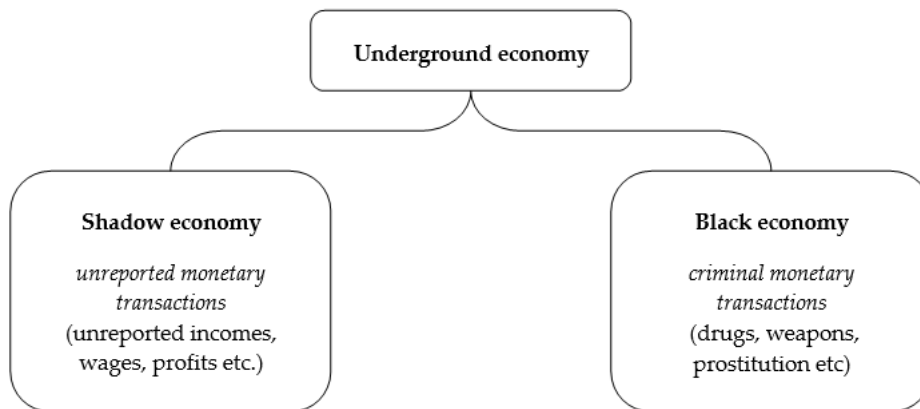
- prostitution

- gambling

- etc.

In such case, we eliminate the idea of synonymy between underground economy, shadow economy and black economy, the last two elements being just items sheltered by the underground economy under its bigger umbrella (Figure 3).

Figure 3. Author's representation of the underground economy classification



3. Causes and effects of the underground economy

Dealing with the underground economy indubitably involves dealing with its generating causes and arising effects.

Approaching, in terms of causes, the underground economy, without making the distinction between its main components, the shadow economy and the black economy, would not be recommended because, as above-mentioned, such important issue with major impact at macro-level should be well-targeted, therefore each and every specific items should be captured in its individuality for a subsequent thorough analysis of the same.

The causes for the occurrence and deepening, in some cases, of the underground economy are various, some of them still analysed by specialists in economic sciences, sociology or physiology (Table 1).

In the case of the shadow economy, we could identify, as causes, first of all, the desire of producers to minimise their costs and the one of consumers to have some

(additional) income from the labour provided to others, partly or fully unofficially reported in terms of wages, or from the labour used for their own for getting (higher) benefits, this mainly originating in lower living standard contexts, revealing:

- an overwhelming level of taxation of any kind, impeding companies to survive on the market and people to have minimum subsistence / reasonable existence means
- an impossibility to officially employ people considering the sometimes too restrictive regulations in the matter
- an impossibility of getting a job in official conditions, given the age, level of qualification and so on
- etc.

Beyond financial-related temptations the black economy is also related to other, more powerful reasons revealing the desire of power and dominance, vices or other assimilated features that characterise, after all, people with particular, more specific psychological patterns.

Table 1. Causes being at the basis of the underground economy

Shadow economy	Black economy
<p>➤ The excessive taxation level, generating:</p> <ul style="list-style-type: none"> • the impossibility of producers to carry out their activities in compliance with the existing laws • the impossibility of consumers to legally procure their minimum subsistence means / reasonable existence means • etc. <p>➤ The restrictions associated with the existing regulations, determining:</p> <ul style="list-style-type: none"> • the difficulty of investors to set up legal businesses, due to entry barriers, bureaucracy and so on • the difficulty of companies to legally employ people, in certain conditions, given by the minimum wage, level of contributions, work conditions to be provided and other related benefits • the difficulty of available active individuals to officially get a job • etc. 	<p>➤ The excessive taxation level, generating:</p> <ul style="list-style-type: none"> • the impossibility of producers to carry out their activities in compliance with the existing laws • the impossibility of consumers to legally procure their minimum subsistence means / reasonable existence means • etc. <p>➤ The restrictions associated with the existing regulations, determining:</p> <ul style="list-style-type: none"> • the difficulty of investors to set up legal businesses, especially in certain fields of activity, due to entry barriers, bureaucracy or due to the refusal to legalise certain activities (like prostitution or gambling) • the difficulty of companies to legally employ people, in certain conditions, given by the minimum wage, level of contributions, work conditions to be provided and other related benefits • the difficulty of available active individuals to officially get a job • etc. <p>➤ The specific psychological pattern of certain individuals, revealing:</p> <ul style="list-style-type: none"> • the desire of power • the desire of control • vices • etc.

Relating to the main effects determined by the underground economy, the same distinction should be made between the shadow economy and the black economy. While the first one may reveal, maybe unexpectedly, some positive aspects for the real economic

life, the black economy would be certainly regarded in a different way.

Talking about the shadow economy, we can see that everything related to it results in a given amount of money received by an economic agent, be it represented by

an individual, as part of a household, or by a company, therefore discussing about different forms of incomes collected by the same and officially unreported.

Irrespective of the economic agent we take into consideration, the following:

- wages paid by companies and received by employees and partly unreported (for an officially provided work, with declared wage level below its actual level) or fully unreported (for unofficially provided work)

- income got from partially unreported assets (as result of the rendering of official activities the outcome of which is undervaluated in statements) or from fully unreported assets (by the rendering of unofficial activities)

- profits of individuals or firms partly or fully unreported (by avoiding, to a lesser or larger extent, to declare and/or to register in the accounting books certain specific outputs)

and so on, reflect the increase of the overall purchasing power for the same, this determining the general increase of the demand for consumption and/or investment goods, therefore an increase of the aggregate demand and, as a chain effect, the increase of gross domestic product.

However, given that unreported incomes translate into less revenue to the state budget, we understand that what is added to private consumption and investments is cut, with a tax-related percent, from the public consumption and investments, which are restricted given the gap created by the diminishing governmental revenue, therefore decreasing to a certain extent the before-mentioned gross domestic product.

Besides, other negatives issues are to be mentioned, such as the uncertainty, at micro-level as for:

- the quality and safety of products got under the related circumstances, in most

cases not accompanied by warranty certificates, as well as the risk of losing the acquired illegal products, in certain circumstances etc. (for consumers)

- the quality and safety of the work conditions, the social security-related benefits being incomplete if not, as in most cases, completely absent, as well as the risk of suddenly losing the job, in certain circumstances etc. (for employees)

- the risk of losing the right to go on with the business, various more or less destabilising sanctions, losing of the created products etc.

or, at micro-level as for:

- the accuracy of the indicators provided (such as consumption, gross domestic product, unemployment etc.), that can generate serious misleading effects as concerns the policies adopted by the macroeconomic entitled organisms.

Going forward, to the black economy, any potential positive issue is completely absorbed, besides its destructive economic impact, also partially captured when discussing about the shadow economy, by the totally harmful effect this one has on the health and life of individuals and, thereby on both the social and economic life of a nation:

- the decrease of the quality of life (drugs, prostitution, gambling etc.)

- the risk of disease or injury (prostitution, weapons etc.)

- the risk of death (drugs, weapons etc.)

- the losing of freedom, by imprisonment, sometimes for life (for all of them)

Therefore, if the shadow economy makes us distinguish some light, despite the large range of negative effects on the real social and economic life, the black economy erases even the most insignificant hope for it, as clearly revealed above and synthesised in Table 2.

Table 2. Effects of the underground economy on the social and economic life

	Positive effects	Negative effects
Shadow economy	<p>➤ The augmentation of the purchasing power for certain categories of economic agents, causing :</p> <ul style="list-style-type: none"> • the increase of the living standard for the same • the indirect increase of the GDP level, to a certain extent • etc. 	<p>➤ The decrease of the revenue to the state budget, generating:</p> <ul style="list-style-type: none"> • the decrease of the budgetary surplus / the creation of a budgetary deficit / the deepening of the budgetary deficit • the decrease of the living standard for most individuals (public sector employees, those frequently using and highly dependent on the national infrastructure and so on.) • etc. <p>➤ The increase of the uncertainties and risks associated with:</p> <ul style="list-style-type: none"> • the quality / safety of the acquired products • the quality / safety of the work conditions • the safety of some businesses as a whole • etc. <p>➤ The inaccuracy of some basic macroeconomic statistical indicators, misleading the entitled authorities as for the decision to be made and the policies to be adopted.</p>
Black economy	<p>➤ The augmentation of the purchasing power for certain categories of individuals, causing :</p> <ul style="list-style-type: none"> • the increase of the living standard for the same • the indirect increase of the GDP level, to a certain extent • etc. 	<p>➤ The decrease of the revenue to the state budget, generating:</p> <ul style="list-style-type: none"> • the decrease of the budgetary surplus / the creation of a budgetary deficit / the deepening of the budgetary deficit • the decrease of the living standard for most individuals (public sector employees, those frequently using and highly dependent on the national infrastructure and so on.) • etc. <p>➤ The decrease of the living standard for certain categories, directly or indirectly involved in the business or otherwise affected by the same, by:</p> <ul style="list-style-type: none"> • the increase of the risk of disease, injury or death • the increase of the risk of imprisonment • etc. <p>➤ The inaccuracy of some basic macroeconomic statistical indicators, misleading the entitled authorities as for the decision to be made and the policies to be adopted</p>

4. Managing the underground economy-related issues

Finding the most appropriate means to manage the underground economy-related issues is neither simple nor always possible. This takes time and involves a successive range of targeted analyses, decision-making processes and implementations thereof, followed by adequate and timely corrections depending on the arising results.

It is, certainly, obvious that the level of development of a country, its overall welfare, will cause the diminishment of the underground economy level in total economy, as it is also obvious that, as in the case on the natural or normal rate of unemployment, here too, we deal with a certain rate of underground economy that cannot ever be covered, irrespective of the measures we would make to annihilate it.

However, undertaking to keep the underground economy to the minimum possible level should be the desideratum of any national authority, as such undesirable form of economy deeply affects, both socially and economically, the nation as a whole.

In line with the above-mentioned, beside some common measures applicable to any underground economy form, we will target, hereinafter, specific measures for each of its composing elements, namely the shadow economy and the black one, as in Figure 4.

For the shadow economy, the following steps are to be considered:

- the adoption, by the fiscal authorities, of an expansionary fiscal policy, reflected in the decrease of the tax level, thereby diminishing the related burden to be borne by private economic agents, or in the increase of the subsidies granted in certain conditions, thus socially supporting certain categories of such agents

- the release of certain barriers to entry for companies in certain fields or sub-fields

of activity, as well as the adoption of various specific measures, apart from the subsidy-related ones, meant for encouraging the official set up of businesses (to encourage entrepreneurship)

- the increase of the evasion tax and/or, as the case may be, the deepening of the punitive measures, including, without limitation, imprisonment, sanctioning thereby, in a more severe way, the non-compliance with the legal reporting requirements related to the income obtained, to the jobs provided or taken, and so on.

- Save for some measures rendered above, also applicable to the black economy, we encounter herein elements exclusively characterising this criminal transaction-related economic form:

- the increase of the control oriented towards certain individuals / groups of individuals more likely to resort to such activities

- the provision of social and psychological support for individuals in need from such point of view

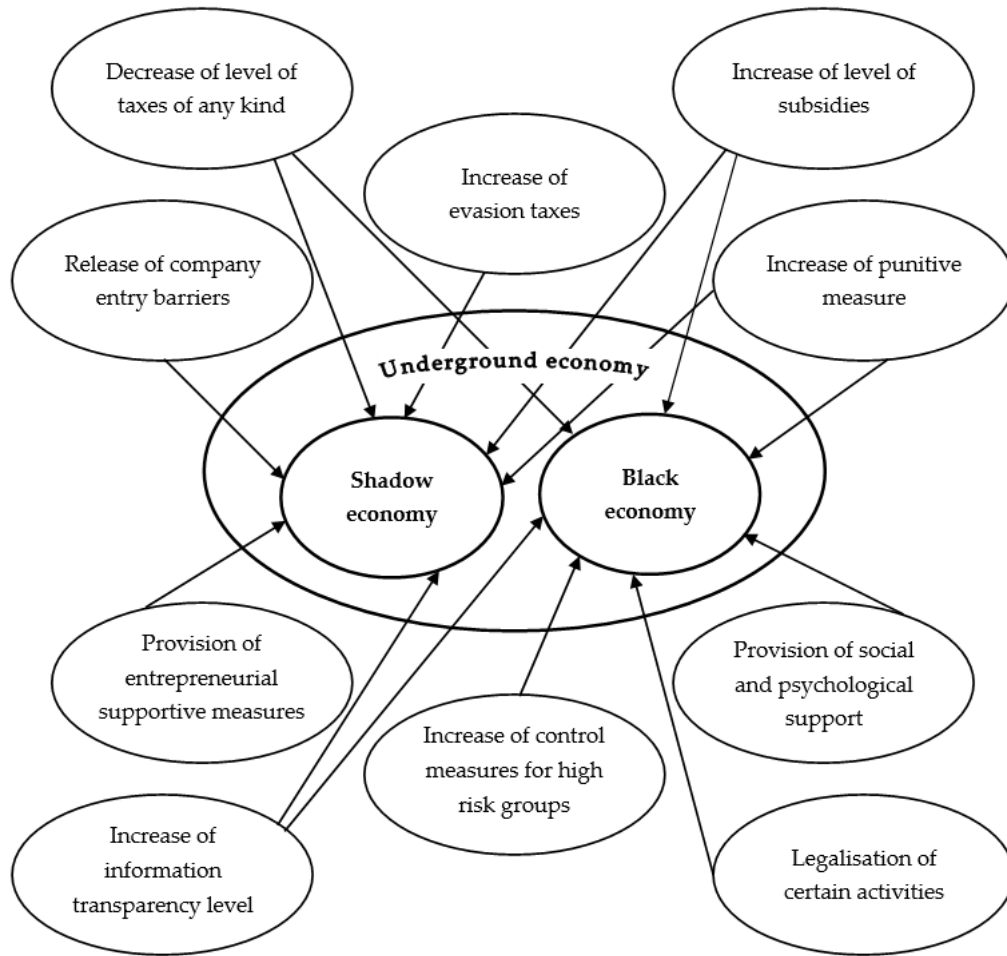
- the increase of the related punitive measures, including imprisonment for long periods of time for certain, highly dangerous criminal activities

- the legalisation some activities like prostitution or gambling, as the case may be

- etc.

Overall, the rendered measures should be gradually applied, checking for any visible improvement in the considered context, this being mainly reflected in a decrease of the underground economy weight in real economy, transposed, in time, into better living standards for the population, with their subsequent chain effect related to the diminishment of the temptation of people to get involved in such illegal processes.

Figure 4. Measures necessary for managing the underground economy-related issues



5. Conclusions

The present paper is meant to lay down the general framework relating to the underground economy, by clarifying the activities contained therein, by rendering the main causes susceptible to lead to its occurrence and extension, by depicting the mainly significant negative effects that this one might generate, thereby affecting the welfare of an entire nation, and, as a consequence, by raising questions as for the decisions to be taken and implemented so as to reduce as much as possible such unfavourable outcomes.

Although this is a global problem, affecting also the strongest developed countries of the world, it subsisting and manifesting anyway, at a minimum, natural level, even in most unattractive circumstances for the same, some countries, succeeded, by adequate measures undertaken by their macroeconomic authorities, in finding the necessary means for keeping it under control, therefore making serious steps, to be also followed by other fellows, in order to create a more healthier and safe environment both from a social and economic perspective.

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Financial innovation implications on a company financial management

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Abstract: The paper tries to analyze the implications of financial innovation on a company financial management starting with a synthesis of the ways of financing a company. The differences between these ways have significant importance on how financial innovation has an impact. Another essential issue is highlighted by the characteristics and the typology of instruments issued by financial innovation. The impact of financial innovation is reflected in many aspects that best can be highlighted through the benefits and disadvantages of creating, implementing and using innovative financial products and services

Keywords: financial innovation, financial management, functions of financial services

JEL Classification: G21, G22, G31

1. Introduction

The paper tries to analyze the implications of financial innovation on a company financial management starting with a synthesis of the ways of financing a company. The differences between these ways have significant importance on how financial innovation has an impact. Another essential issue is highlighted by the characteristics and the typology of instruments issued by financial innovation. The impact of financial innovation is reflected in many aspects that best can be highlighted through the benefits and disadvantages of creating, implementing and using innovative financial products and services.

2. Ways of financing a company

The general problem of finances is to meet financial needs on account of the existing financing capacities in a country's economy, where all economic agents are involved, each of them having either financing deficits or surpluses.

In the economy of a country, there are two categories of economic agents whose interests are complementary. Surplus agencies have funding capacities: By transferring some of these funds to other agents, they accumulate claims. Deficient agencies have to meet certain financing needs: by raising funds from surplus agencies they accumulate debts to them. Excessive and deficient agencies meet either directly, face to face, or indirectly, contacting them through specialized institutions or capital markets and using various tools (Leoveanu, 2008).

Depending on the origin of the money funds, a step by step classification of the

financing methods can be made (Dictionary, 1999):

A. Internal or external financing. The funds of the economic agent used for funding are either own resources (internal financing) or lent resources (external financing). External financing can also be done in two ways:

B. Direct or indirect funding. One type of external financing is not to appeal to a financial intermediary, which is why it is called direct funding. Indirect external funding is provided through credits, which are provided by a financial intermediary. Direct funding is in line with the notion of a financial market economy (J. R. Hicks), and indirect funding has a correspondent in the leverage economy.

Indirect external financing is also divided into two categories, as the involvement of financial intermediaries is of a monetary or non-monetary nature:

C. Monetary or non-monetary financing. In indirect non-monetary financing, the financial intermediary justifies its name since it is placed right between the surplus cashier who has funds available and the deficient agent who needs these funds. The financial intermediary will facilitate the financing operation without the two agents being forced to have direct contact, to meet or to meet. A type of financing that is proper to banks is the indirect monetary financing that is based on money creation. The financial intermediary offers money to this agent in exchange for a debt instrument but, as this is not a non-monetary financing, this money is not made on the basis of a previously collected deposit, it is simply created.

The financial intermediary can also be defined as an individual or organization that

ensures the transformation of at least one of the above: a. Maturity transformation: for example, making long-term funding on the basis of short-term resources; b. Interest rate swaps: variable interest-rate loans funded at a fixed interest rate; c. Risk mitigation: for example, loan finance for business equipment on the basis of exigible and risk-free resources (monetary banking resources).

Modern economic analysis explains the existence of financial intermediation based on the following two main reasons (s):

1. Low transaction costs. Financial intermediaries allow the cost of financial transactions to be reduced, thereby achieving scale-level savings that mean lowering the unit costs of production of financial products / services as the quantity produced increases.

2. Reducing information asymmetry, which can generally take two forms:

a. Adverse selection (hiding information about the debtor); b. Moral hazard (hiding information about the debtor's shares).

In many countries, financial systems have undergone tremendous transformations over the last half-century, with spectacular growth in capital markets, with the acceleration of introducing financial innovations, new financial products (from different types of mortgage-backed securities such as Swap transactions, options or futures). In fact, there has been a rapid shift from direct participation of individuals in capital markets to participation through different types of financial intermediaries. They also underwent changes in activity, banks and insurance companies seeing a decline in their assets, while mutual funds and pension funds have increased unexpectedly in size, while new types of intermediaries such as non-banking financial companies.

The evolution of financial systems dynamics has highlighted the fact that among the favorable factors that have led to the development of the capital markets can be quoted: improvement of the financial situation of the companies; The dynamism of financial intermediaries and innovations; Tax incentives; The state's increased appeal to financial markets to finance its deficits; The development of collective investments (mutual funds, pensions, etc.).

These factors favorable to the growth of the importance of the capital markets have led to the emergence of ways to avoid financial intermediation, among which can be listed:

- the securitization, i.e. the mobilization of funds through the issue of securities by firms, but also by the public authorities, a phenomenon that replaces traditional recourse to bank lending;

- marketability, includes the previous phenomenon plus the phenomenon of alignment of bank credit characteristics with market conditions;

- disintermediation, representing the replacement of financing through banks with direct business financing between them;

- the institutionalization of markets, a phenomenon illustrated by the massive intervention of financial intermediaries on the capital markets, on behalf of their clients as titular negotiators. There is a new way of brokerage, which corrects the previous disintermediation by issuing negotiable securities and the purchase by intermediaries themselves of securities issued by deficient agencies.

The fall in transaction costs in capital markets, as well as easier and cheaper access to information, as important elements

in risk management, have led to a diminishing financial intermediation. This trend was facilitated and also developed by financial innovation.

3. Characteristics of financial innovation

Based on its lexicon, The Financial Times gives the following definition: "Financial innovation is the act of creating and then popularising new financial instruments as well as new financial technologies, institutions and markets".

Financial innovation has its roots in financial market imperfections such as tax regulations, transaction costs, legal constraints, information asymmetry, financial globalization and risk exposure. In this respect, the financial market participants have tried to get as many advantages and benefits as possible in order to increase profitability under conditions of risk mitigation associated with investment vehicle transactions.

There are some companies considered to be the most innovative in finance worldwide such as: PayPal – for leading the payment system on digital money; Citibank - for developing a new model for retail banking, based on tech engineering; SecondMarket - for creating the largest "secondary market" for private-company shares; StockTwits - for building the Web's most comprehensive and accessible virtual trading floor (Macasai, 2011). What are the factors that have prompted these companies to innovate financial tools and services for individuals and companies?

The realities of trading on financial markets show us the directions that financial innovations have developed over the years, and those are the core functions of financial

services: payments, market provisioning, investment management, insurance, deposits and lending and capital rising. Associated with them there are eleven clusters of innovation that changed traditional business models (McWaters, 2015):

1. Payments – with clusters like Emerging Payment Rails (e.g.: Mobile Money) and Cashless World (e.g.: Mobile Payments). In this case appears new functionalities for consumers that will change consumer behavior;

2. Market provisioning – with New Market Platforms (Market information platforms) and Smarter & Faster Machines (Artificial Intelligence/ Machines Learning. Algorithmic trading conduct to faster response to real-life events on financial markets;

3. Investment management – with Process Externalization (e.g.: Cloud computing, Open Source IT) and Empowered Investors (Automated Advice and Management, Social Trading). Automated advisors determine accessibility to sophisticated financial management;

4. Insurance – with Insurance Disaggregation (Securitization and Hedge Funds, Autonomous Vehicle) and Connected Insurance) – online insurance marketplaces and connected devices conduct to changed strategies and personalized insurances;

5. Deposits and lending – with clusters like Alternative Lending and Shifting Customers Preferences (Virtual Technologies). Changes in credit evaluation and loan origination opened non-traditional sources of financing;

6. Capital rising – with Crowd funding – open a wide access to capital raising activities.

A 2015 study of World Economic Forum (WEF, 2015) highlights some characteristics regarding financial innovation:

- a deliberate and predictable process;
- the greatest impact on business models based on virtual platforms and data analysis;
- a need for collaboration between regulators and operators regarding changes in risk profile of the industry;
- a continuous pressure for change on customer behavior and business models.

4. Implications of Financial Innovation for a company

The impact of financial innovation is reflected in many aspects that best can be highlighted through the benefits and disadvantages of creating, implementing and using innovative financial products and services. Here below are some positive / negative aspects of new financial instruments.

As advantages of financial innovation for financial management of a company they can underline:


- Reducing the use of cash as a result of electronic transactions, thus lowering cash needs in circulation;
- Reduction of costs associated with transactions and cash management;
- Increased access to information of financial institutions and state authorities on transactions for taxation and transparency;
- Protection of clients and merchants against fraud;
- Increasing direct connectivity between participants - financial institutions, individuals, traders;
- The ability of financial institutions to provide better services than competition;
- Increased access and availability of

financial institutions to individual customer data and financial history;

- Creating customized product and service offerings tailored to the customer's specific needs
 - Managing risks in a proactive manner and increasing the level of financial education of clients;
 - Unlike traditional financial intermediaries - which provide protection based on deposit guarantee and minimize default risk based on sophisticated savings and credit schemes, alternative lending platforms ensure transparency for both debtors and creditors and reduce transaction costs;
 - Wide access of the financial institution to customer base and more accurate understanding of the risks associated with clients;
 - Designing more sophisticated products in terms of financial conditions;
 - Integration of different types of services into innovative financial products.
- In spite of multiple positive aspects, financial innovation could have a lot of disadvantages for financial management of a company as the following:
- Inaccessibility of electronic payment systems as a result of reluctance on the part of traders to associated payment fees, investment and operating costs and delays;
 - The increased possibility of fraud in the electronic payment system;
 - Increased security risk and high volatility
 - Difficulties in implementing new technologies and staff training, as well as customer access;
 - Increasing the risk of moral hazard or adverse selection for some innovative financial instruments;

- The risk of losing customers' confidence as a result either of disturbing access to use or the risk of fraud;
 - Financial institutions or clients may become addicted to technology providers;
 - Loss of customer loyalty due to the possibility of making comparisons between products and financial institutions;
 - Difficulty of regulation and certification for highly personalized products;
 - The difficulty of choosing the product / service according to its needs as a result of multiple and diversified offers;
 - The possibility of losing unusual customers with new tools or unwanted tools to use them.
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Forecasting of Financial Markets and Monetary, Fiscal, Financial, Economic and Political Freedom Features in Nowadays Society – A Case Study on Romania's Situation

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Abstract: The paper entitled "Forecasting of Financial Markets and Monetary, Fiscal, Financial, Economic and Political Freedom Features in Nowadays Society – A Case Study on Romania's Situation" tackles the following key aspects: the role and the importance given to the financial markets nowadays, taking into account the fragility of the economic system and the general money movement encountered especially in the modern economies; the influence of the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom features upon the financial markets world-wide; and the situation concerning Romania's financial market.

In the first part of this research paper, elements such as monetary, fiscal, financial, business, investment, labour, economic, property and political freedom features are being presented, starting from the complex definitions of these concepts, continuing with an in-depth analysis of these concepts and their roles and importance in today's society structure. In this regard, numerous valuable examples of successful economic and political structures are being presented, in order to emphasize the nations' potential in terms of monetary, fiscal, financial, business, investment, labour, economic, property and political freedom.

In the second part of this scientific work, the role and the importance given to the financial markets nowadays is being presented, starting from the definitions of the financial markets, continuing with the challenges that these types of markets are facing today, given the monetary challenges, the fragility of the economic systems world-wide, the insecurities brought by the continuously changing public policies, the financial "game" that is "played" between the banks and the capital markets, as well as the investments' role at the level of the economy.

In the third part of this paper, Romania's situation is being addressed taking into consideration the latest data and analysis provided by the National Bank of Romania (September 2016) based on the discoveries and the general conclusions of the document named "Dynamic Stochastic General Equilibrium (D.S.G.E.) model estimated for Romania".

Key words: financial markets, capital markets, monetary freedom, fiscal freedom, financial freedom, business freedom, investment freedom, labour freedom, economic freedom, property freedom, political freedom, economic and political features, money, banks, investments, Dynamic Stochastic General Equilibrium (D.S.G.E.) Model, National Bank of Romania (N.B.R.), Romania's situation

JEL-classification: D53, E00, E44, E50, E58, F21, F38, F43, G00, G01, G10, G17, G18, G32

Introduction

Today the financial market system, as a whole, and the financial market, in particular, are both facing numerous challenges.

The elements addressed in our research come to present in a broad and accurate manner these challenges, in an attempt to forecast the financial market's next steps and figures, and to make light on the nearest provocations that the social, political and economic environment are all bringing.

It is our strong opinion that the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom features are the key triggers to any long term economic, social and political approach and initiative. Moreover, they are a reflection of the fundamental rights that each and every society should base its foundation on in order to achieve success and become (more) credible in the eyes of the already existing or even potential investors. Furthermore, the level of freedom indicators should also

be corroborated with the results offered by different types of economic, financial and monetary equilibrium forms and models on the marketplace, due to the fact that, even though the equilibrium models take into consideration ideal situations, they are also able to present and predict the manner in which a general balance might be achieved in different stages of the marketplace.

This type of balance should have the strength to empower a country, a region or a union of countries to become more competitive and more powerful in terms of economic, social and political cohesion and convergence, and to generate economic, social and political potential on the long term, based on its current and future financial assets.

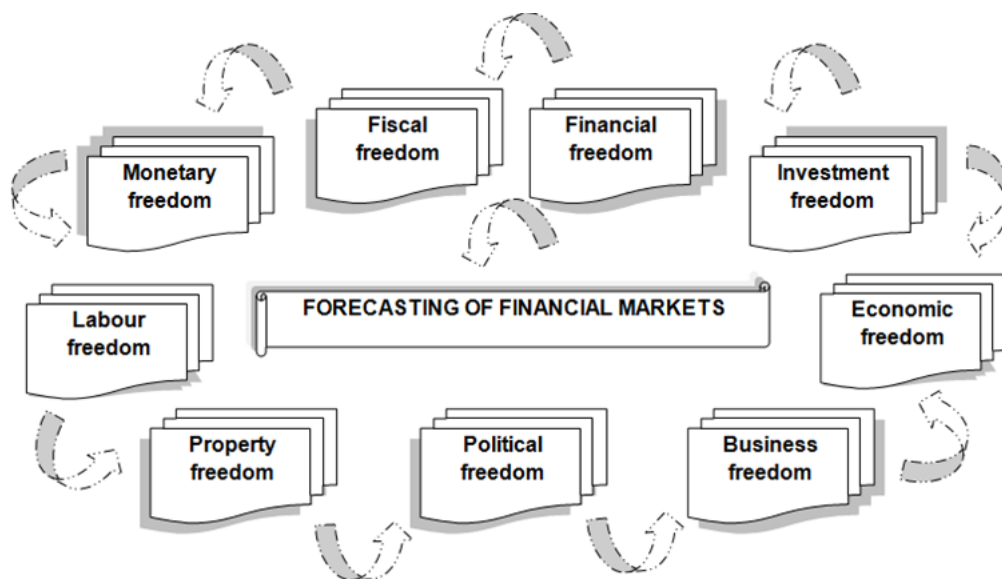
Additionally, these are times in which all the resources in hand are extremely valuable and should be treasured and used at their real value, in order to overcome the times in need, the times of crisis and to generate profit, efficiency, efficacy, performance and, in the end, reach the highest level, excellence.

1.) Strengthening the role, importance and overall influence of the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom features

The first part of the article entitled "Forecasting of Financial Markets and Monetary, Fiscal, Financial, Economic and Political Freedom Features in Nowadays Society – A Case Study on Romania's Situation", named "Strengthening the role, importance and overall influence of the monetary, fiscal, financial, business, investment, labour, economic, property and political

freedom features", addresses elements such as the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom features, starting from the complex definitions of these concepts, continuing with an in-depth analysis of these concepts and their roles and importance in today's society structure (see, in this matter, Figure no. 1: "The existing link between forecasting of financial markets and the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom"). In addition, in order to emphasize the importance of the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom features, numerous valuable examples of successful economic and political structures are being presented.

Figure no. 1: "The existing link between forecasting of financial markets and the monetary, fiscal, financial, business, investment, labour, economic, property and political freedom"

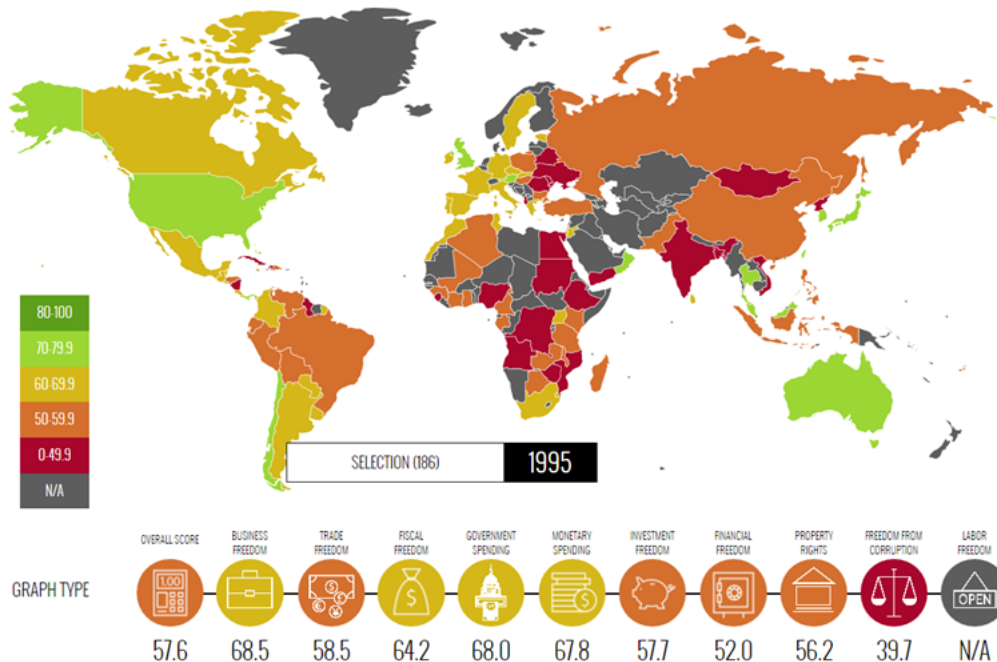


Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

The "Index of Economic Freedom" is calculated on a yearly base for already more than twenty years, takes into consideration ten categories of freedom, starting with property rights and ending with entrepreneurship, and is measured in 186 countries worldwide (see, in this matter, the data available on-line at the internet link <http://www.heritage.org/index/about>, as well as the additional elements presented by Ambassador Terry Miller and Anthony B. Kim in Chapter 2: "Defining Economic Freedom" which can be accessed at <http://www.heritage.org/index/book/chapter-2>). Additionally, the data and the analysis of this index are published in the "Index of Economic Freedom" annual guide published by the Wall Street Journal and the Heritage Foundation (which is, according to the information available at <http://www.heritage.org/index/about>, Washington's No. 1 think tank).

As defined by the Heritage Foundation, economic freedom is regarded as a fundamental right of every individual "to control his or her own labour and property", especially in the case in which one refers to economically free economies, governments, and societies (see, in this matter, the information available on-line at the link <http://www.heritage.org/index/about>). Also, the beliefs concerning the free economies, governments and societies are seen in accordance with connecting subjects, such as the following ones: "healthier societies, cleaner environments, greater per capita wealth, human development, democracy, and poverty elimination" (see, in this matter, the information available on-line at the link <http://www.heritage.org/index/about>).

Graph no. 1: "1995 Index of Economic Freedom – Interactive Heat Map"



Source: The data regarding the Index of Economic Freedom – Interactive Heat Map, selected year: 1995, accessed on-line at <http://www.heritage.org/index/heatmap>, on 28.11.2016.

In order to analyse the case of Romania compared with the general world trends between the time lines 1995 – 2016, based on the data gathered, analysed and available at the Heritage Foundation concerning the Index of Economic Freedom, several important aspects can be noticed:

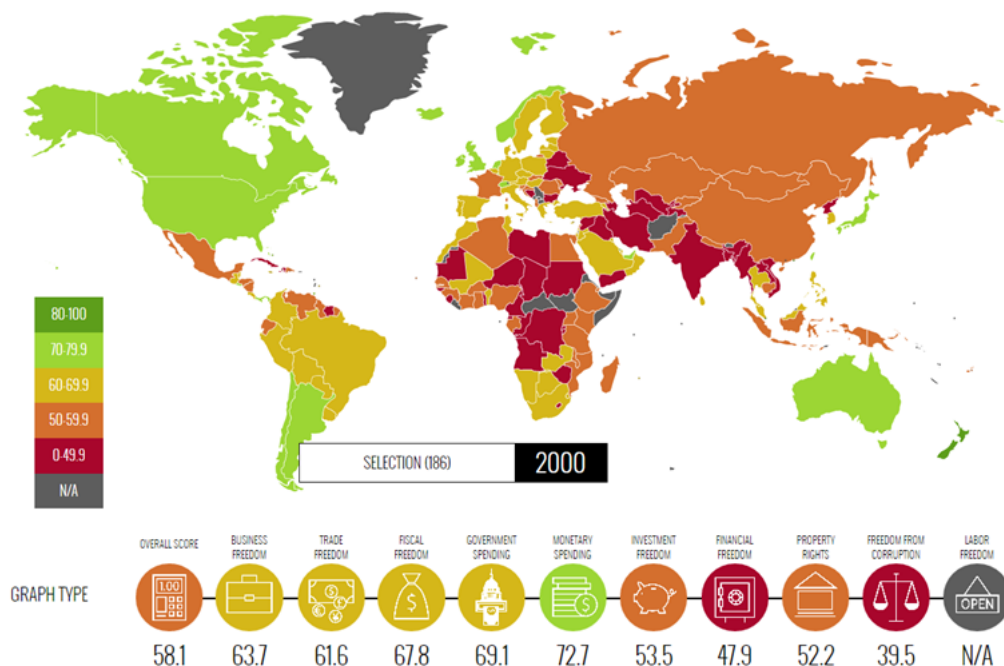
➤ A.) First of all, the general elements that were selected for this article were the ones addressing the years 1995 (the first year for which the Index of Economic Freedom was calculated), 2000 and 2016 (the latest data for which the Index of Economic Freedom was calculated) (see, in this matter, the following graphs: Graph no. 1: "1995 Index of Economic Freedom – Interactive Heat

Map", Graph no. 2: "2000 Index of Economic Freedom – Interactive Heat Map" and Graph no. 3: "2016 Index of Economic Freedom – Interactive Heat Map") at the world level. As a general idea, the more a value from one of the freedom indexes gets closer to 100, the more that country approaches the ideal freedom index number. According to this data, it can be noticed that the values fluctuated over the years. For example, the overall score for the year 1995 was 57.6, for the year 2000 was 58.1 and for the year 2016 was 60.7, which shows an ascending positive trend in terms of economic freedom. Also, in addition, other examples may be provided, as shown in the lines below: for business freedom, the values

were, in turn, for 1995, 2000 and 2016, 68.5, 63.7 and 64.1, which shows both ascending and descending trends; for trade freedom, the values were, in turn, for 1995, 2000 and 2016: 58.5, 61.7 and 76.1, which generally

shows an ascending, positive trend; for property rights, the values were, in turn, for 1995, 2000 and 2016: 56.2, 52.2 and 42.2, which shows an overall descending trend.

Graph no. 2: "2000 Index of Economic Freedom – Interactive Heat Map"



Source: The data regarding the Index of Economic Freedom – Interactive Heat Map, selected year: 2000, accessed on-line at <http://www.heritage.org/index/heatmap>, on 28.11.2016.

► B.) Second of all, according to the data presented above and by comparison with Romania's situation, the following elements can be stressed (see, in this matter, Table no. 1: "The data regarding the Index of Economic Freedom at the World's level and at Romania's level"):

Table no. 1: "The data regarding the Index of Economic Freedom at the World's level and at Romania's level"

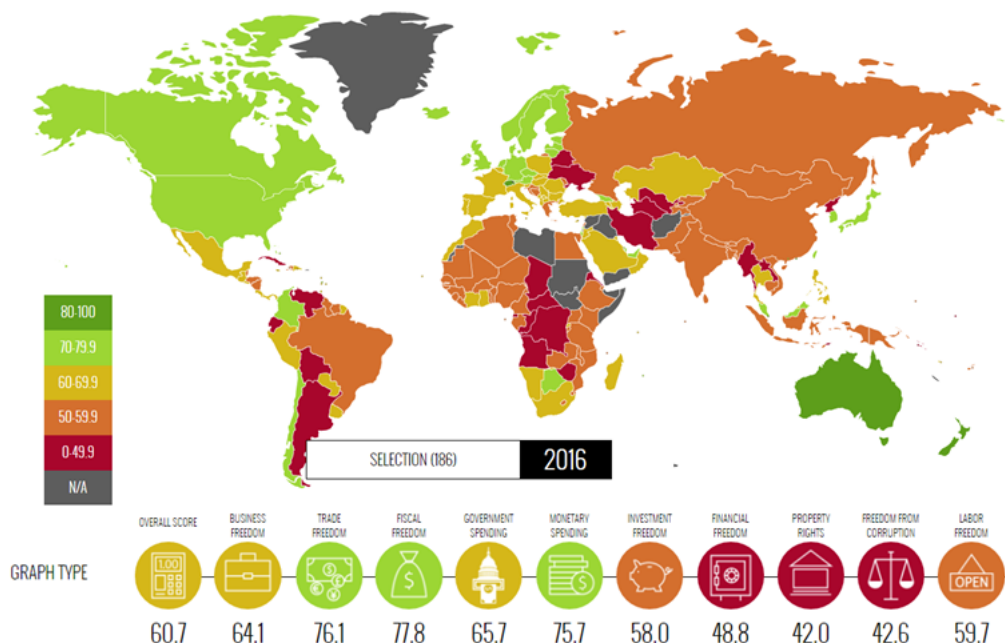
Time period:	Romania – overall score:	World – overall score:
1995	42.9	57.6
1996	46.2	57.1
1997	50.8	57.3
1998	54.4	57.2
1999	50.1	57.6
2000	52.1	58.1
2001	50.0	59.2
2002	48.7	59.2
2003	50.6	59.6
2004	50.0	59.6
2005	52.1	59.6
2006	58.2	59.9
2007	61.2	60.1
2008	61.7	60.2
2009	63.2	59.5
2010	64.2	59.4
2011	64.7	59.7
2012	64.4	59.5
2013	65.1	59.6
2014	65.5	60.3
2015	66.6	60.4
2016	65.6	60.7

General conclusion: The data regarding the Index of Economic Freedom at the World's level and at Romania's level shows both ascending and descending trends, depending on the year of reference. All in all, the data shows a clear improvement in terms of the economic freedom, both worldwide as well as at the level of Romania.

Source: The data regarding the Index of Economic Freedom – Figures – Overall Score, selected years: 1995 – 2016, at the world's level by comparison with Romania's level, accessed on-line at <http://www.heritage.org/index/heatmap>, on 28.11.2016.

By analysing the data from the table above, Romania's values based on the overall score are similar to the world's ones.

Graph no. 3: "2016 Index of Economic Freedom – Interactive Heat Map"



Source: The data regarding the Index of Economic Freedom – Interactive Heat Map, selected year: 2016, accessed on-line at <http://www.heritage.org/index/heatmap>, on 28.11.2016.

► C.) Third of all, however when taking into account other analysis and research done by the specialists (Croitoru, Lucian, 2012, 2015 a.), 2015 b.), and 2015 c.); Vasilescu, Adrian, 2015), one may notice that there exists a positive correlation between the economic freedom and the work productivity (labour productivity). Moreover, by comparing the dynamics of the economic freedom index (see, in this matter, the data available for the economic freedom index on-line at the internet link <http://www.heritage.org/index/about>) in the countries of the European Union (E.U.) with the changes registered by the Gross Domestic Product (G.D.P.) per hour worked in current prices in E.U. 15

(E.U. 15 = 100) (Croitoru, Lucian, 2012, 2015 a.), 2015 b.), and 2015 c.); Vasilescu, Adrian, 2015; Dăianu, Daniel, 2016 a.); and Dăianu, Daniel, 2016 b.)), the elements below can be observed:

- Based on the definition of economic freedom provided by the Heritage Foundation (see, in this matter, the information available on-line at the link <http://www.heritage.org/index/about>), none of the E.U. economies is believed to be free.

- According to the information presented by the Heritage Foundation (see, in this matter, the information available on-line at the link <http://www.heritage.org/index/about>), the E.U. economies developed a

growing trend concerning economic freedom when comparing the values from 1996 with the latest ones available today at the level of 2016, which determines the specialist to state the fact that nowadays the E.U. countries are either moderately free, or mostly free.

- A worldwide analysis shows that Hong Kong, Singapore, New Zealand, Australia and Switzerland were in 2014 the freest economies (taken in this order) (Croitoru, Lucian, 2012, 2015 a.), 2015 b.), and 2015 c.); Vasilescu, Adrian, 2015; <http://www.heritage.org/index/about>).

- Furthermore, the freest economies in the E.U. are Estonia, Ireland and Denmark (also taken in this order) (Croitoru, Lucian, 2012, 2015 a.), 2015 b.), and 2015 c.); Vasilescu, Adrian, 2015; <http://www.heritage.org/index/about>).

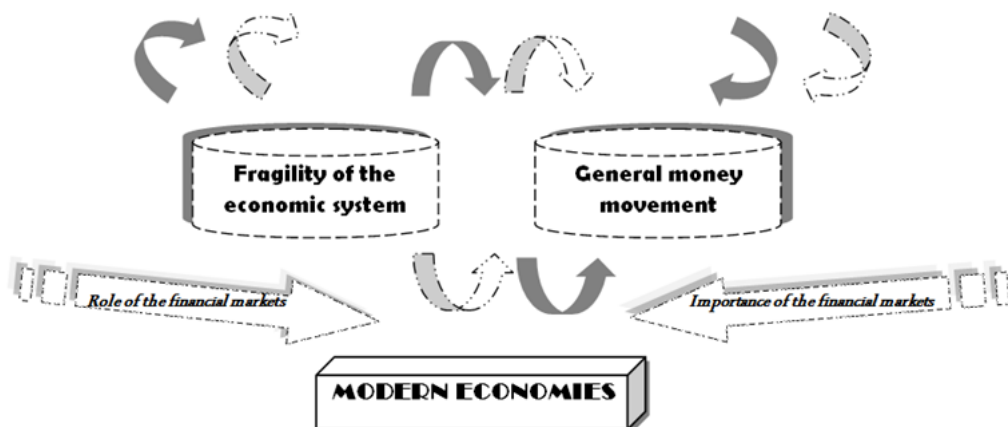
- Today, Romania is a country having the status of a moderately free economy (gained since 2007), progressing from the status of a repressed economy (between the time period 1995 and 1997) and the one of mostly un-free (between the time period 1998

and 2006) (Croitoru, Lucian, 2012, 2015 a.), 2015 b.), and 2015 c.); Vasilescu, Adrian, 2015; <http://www.heritage.org/index/about>).

2.) The role and importance of the financial markets

In the second part of this scientific work called "The role and importance of the financial markets", the role and the importance given to the financial markets nowadays is being presented, starting from the definitions of the financial markets, continuing with the challenges that these types of markets are facing today, given the monetary challenges, the fragility of the economic systems worldwide, the insecurities brought by the continuously changing public policies, the financial "game" that is "played" between the banks and the capital markets, as well as the investments' role at the level of the economy (see, in this matter, Figure no. 2: "The role and the importance given to the financial markets nowadays").

Figure no. 2: "The role and the importance given to the financial markets nowadays"



Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

In general terms, a market represents a place where both buyers and sellers come into contact, in order to exchange different assets, such as a wide variety of goods and services (Central Board of Secondary Education, 2007). The financial market is a type of market in which financial instruments are exchanged or traded (Valdonė Darškuvienė, 2010).

Moreover, a financial market is based on three economic functions (Mishkin F. S., Eakins S. G., 2006; Seifert, W.G., Schleitner, A.K., Mattern, F., Streit, C.C., Voth, H.J., 2000; Valdez, S., 2006; Fabozzi F. J., Modigliani F., 2007; Howells P., Bain K., 2008; Madura J., 2008; Valdonė Darškuvienė, 2010; European Central Bank (E.C.B.), 2016) (see, in this matter, Figure no. 3: "The financial market system nowadays"):

a.) the price discovery, which shows that the price of the financial assets is generated by the supply and demand that is formed on the marketplace;

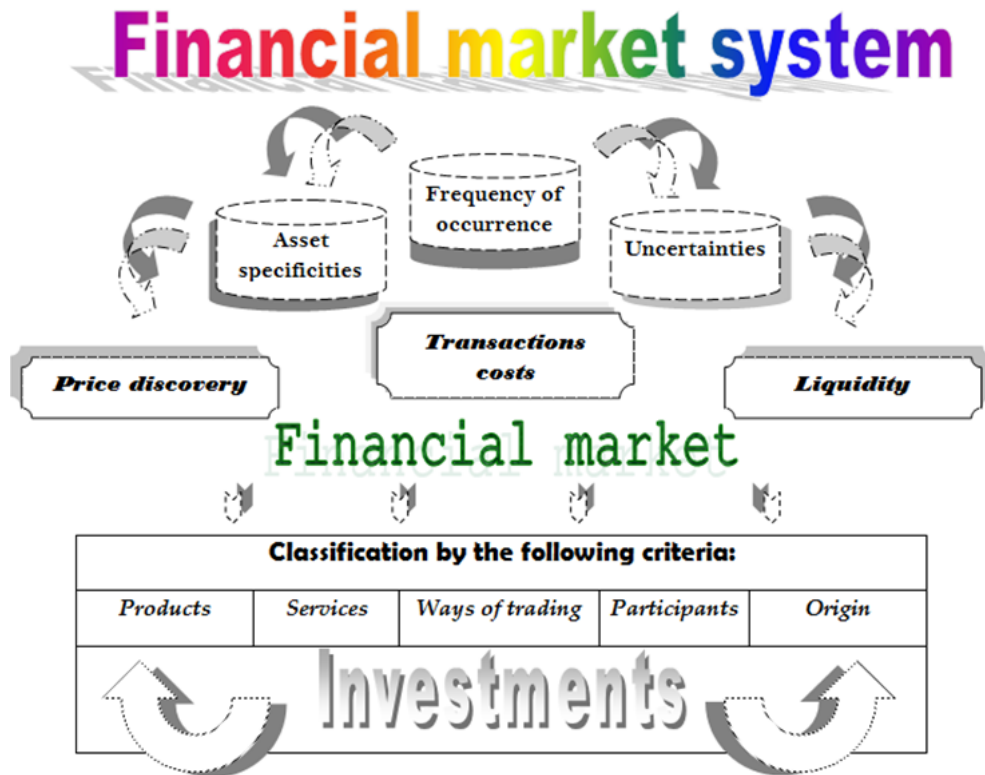
b.) the liquidity, which shows investors capacity to transform a certain product into

immediate available cash, as well as the capacity of a transaction to reflect the correct market value of a certain type of good;

c.) the reduction of transactions costs, which is generated by the reduction costs in terms of asset specificities, uncertainties and frequency of occurrence.

While analysing the investment opportunities on the marketplace in terms of the financial market, one should take into consideration the following aspects: the credit rating; the reputation of the company; the reputation and the strength of the company as part of a certain group or as representative of a certain type of activity or industry; the portfolio of the company; the interest rate; the diversity / the range of assets referred to during this type of investment transaction or process; the way a company presents itself on the marketplace, in term of audit, insurances, relationships and connections with other major players on the marketplace; the financial history of the company and potential vulnerability points; the results obtained by the company during its period reviews.

Figure no. 3: "The financial market system nowadays"



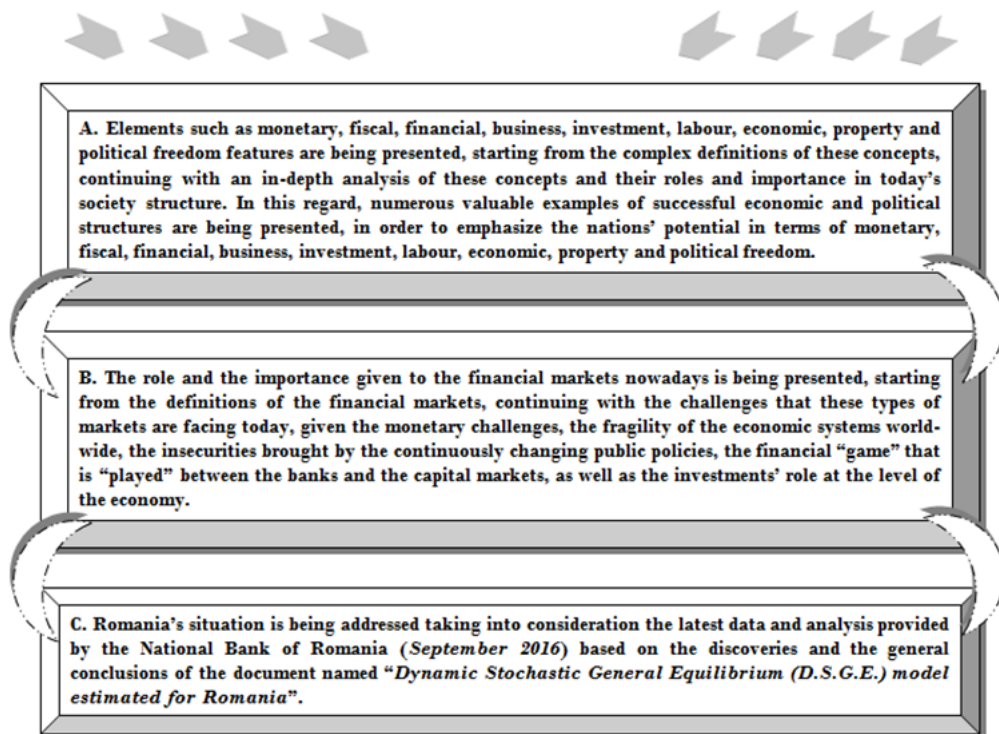
Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

3.) The Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania and future predictions

In the third part of this paper named "The Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania and future predictions", Romania's situation is being addressed taking into consideration

the latest data and analysis provided by the National Bank of Romania (September 2016) based on the discoveries and the general conclusions of the document named "Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania" (see, in this matter, Figure no. 4: "Forecasting of financial markets and monetary, fiscal, financial, economic and political freedom features in nowadays society").

Figure no. 4: "Forecasting of financial markets and monetary, fiscal, financial, economic and political freedom features in nowadays society"



Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

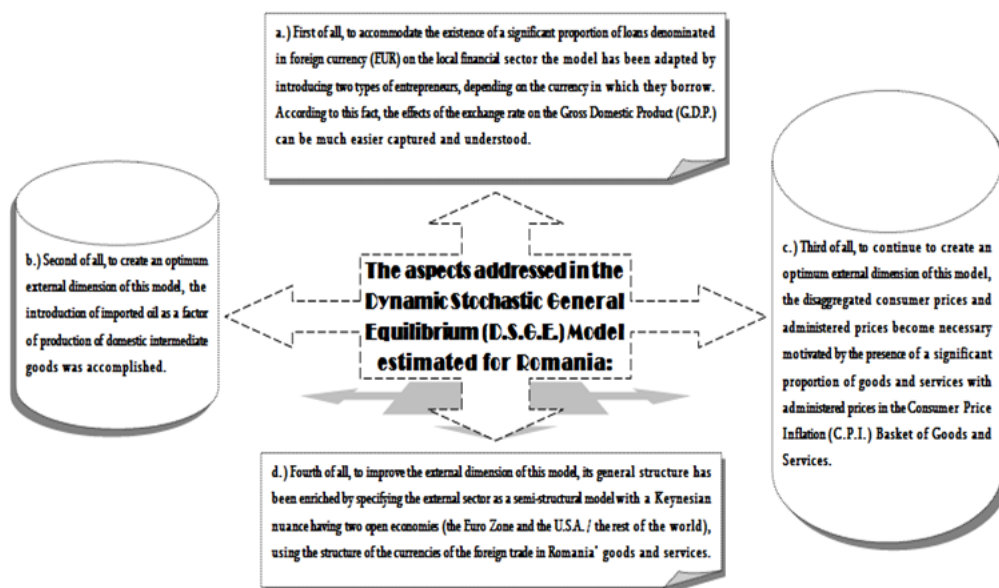
The last section of this work focuses on the results offered by the study "Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania", in which the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model is presented, discussed, adapted and analysed with regard to the Romanian marketplace (Copaciu, Mihai, Nalban, Valeriu, Bulete, Cristian, 2015). The starting point of the estimation provided by this model was represented by the work "Introducing Financial Frictions and Unemployment into a Small Open Economy Model" (Christiano, L. J., Trabandt, M., Walentin, K., 2011), who took into consideration that the financial and labour market

frictions are necessary elements in the attempt of understanding the economic cycle after the recent global financial crisis. Moreover, the initial model, having a specific Keynesian nuance for a small open economy, was adapted and extended in order to take into account the features of the Romanian economy. Furthermore, the aspects that were addressed in the study "Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania" are the following ones (Copaciu, Mihai, Nalban, Valeriu, Bulete, Cristian, 2015; Argov, E., Barnea, E., Binyamini, A., Borenstein, E., Elkayam, D., Rozenshtrom, I., 2012; Christiano, L. J., Trabandt, M., Walentin, K., 2011; Roman,

Mirela, 2016): a.) First of all, to accommodate the existence of a significant proportion of loans denominated in foreign currency (EUR) on the local financial sector the model has been adapted by introducing two types of entrepreneurs, depending on the currency in which they borrow. According to this fact, the effects of the exchange rate on the Gross Domestic Product (G.D.P.) can be much easier captured and understood. b.) Second of all, to create an optimum external dimension of this model, the introduction of imported oil as a factor of production of domestic intermediate goods was accomplished. c.) Third of all, to continue to create an optimum external dimension of this model, the disaggregated consumer prices and administered

prices become necessary motivated by the presence of a significant proportion of goods and services with administered prices in the Consumer Price Inflation (C.P.I.) Basket of Goods and Services. d.) Fourth of all, to improve the external dimension of this model, its general structure has been enriched by specifying the external sector as a semi-structural model with a Keynesian nuance having two open economies (the Euro Zone and the U.S.A. / the rest of the world), using the structure of the currencies of the foreign trade in Romania' goods and services (see, in this matter, Figure no. 5: "General outline of the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania").

Figure no. 5: "General outline of the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania"



Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

In addition, in order to adapt the general model to Romania's specificities, the need to filter the data become a must, so that (Copaciu, Mihai, Nalban, Valeriu, Bulete, Cristian, 2015; Argov, E., Barnea, E., Binyamini, A., Borenstein, E., Elkayam, D., Rozenshtrom, I., 2012): a.) The specific growth rates of the observable variables and the constant steady growth of model could be reconciled; and b.) The elements Gross Domestic Product (G.D.P.) volume and the Gross Domestic Product (G.D.P.) deflator were defined so that the measures of the National Accounts could be respected. The model proved to be extremely valuable for Romania's case due to its complexity, as follows: in this case 29

observable series were used using the endogenous a priori distributions (Christiano, L. J., Trabandt, M., Walentin, K., 2011); moreover, the time period chosen for the analysis was between 2005 and 2014, due to the data availability level as well as the changes in the monetary policy regime.

All in all, the results of the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania showed the following aspects (Copaciu, Mihai, Nalban, Valeriu, Bulete, Cristian, 2015) (see, in this matter, Table no. 2: "Results of the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania"):

Table no. 2: "Results of the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania"

Results of the Dynamic Stochastic General Equilibrium (D.S.G.E.) Model estimated for Romania:
⇒ The impulse response function analysis revealed consensus with the economic theory concerning the propagation of shocks, but also the importance of wealth and balance sheet effects, captured by modelling two distinct types of entrepreneurs, depending on the currency of borrowing.
⇒ The analysis of variance decomposition revealed important contributions shocks originated in the financial sector, including sovereign risk premium, and the sector importers – exporters, results that highlight the importance of the financial frictions and particularity of the small open economy model. Meanwhile, the effects of frictions in the labour market appear to have reduced in significance.
⇒ Regarding the predictive accuracy of the model within the sample, it is comparable to the one for simple methods with one variable, such as autoregression and random walk, but is generally dominated by the predictions associated with the Bayesian VAR models.
⇒ The estimated model allowed the simulation and evaluation of a more complex scenario that targeted endogenous variables reactions to an increase in the US interest rates coincided with a reduction in the interest rate in the Euro Area, for different levels of the Euro currency.
Conclusions: While a shock having its origin in the US economy directly affect domestic variables only through the net export channel, a shock in the Eurozone economy has a direct impact through additional balance sheet effects, given the denomination in Euros of loans in foreign currency.

Source: Ideas presented in Copaciu, Mihai, Nalban, Valeriu, Bulete, Cristian, „Caiete de studii Nr. 45, R.E.M. 2.0. Model DSGE cu euroizare parțială estimat pentru România”, Banca Națională a României (B.N.R.) / National Bank of Romania (N.B.R.), ISSN 1584-0883 (versiune online), ISSN 1584-0883 (versiune e-Pub), September 2016, Bucharest, Romania.

Conclusions:

The paper entitled "Forecasting of Financial Markets and Monetary, Fiscal, Financial, Economic and Political Freedom Features in Nowadays Society – A Case Study on Romania's Situation" shows the major role played by the financial market today in the complex financial market system, in a continuous challenged environment and

under constant pressure in order to gain more strength and investment partners, as well as the role and the importance of acting, as an economic agent, in a monetary, fiscal, financial, economic and political free marketplace.

The research study addresses also the case of Romania and Romania's experience in terms of free marketplace, free economy and the challenges faced by its financial system and financial market.

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Creating Comprehensive Human Resources Management Policies and Instruments by Using Strategic Personnel Planning – A Case Study on Romania's Situation: a Quantitative and Qualitative Analysis

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Abstract: The paper entitled "Creating Comprehensive Human Resources Management Policies and Instruments by Using Strategic Personnel Planning – A Case Study on Romania's Situation: a Quantitative and Qualitative Analysis" addresses the following key aspects: first of all, the notions of human resources management and strategic personnel planning are defined and analysed; second of all, the necessity and the importance of creating and using comprehensive human resources management policies and instruments is taken into account; third of all, a case study done in a Romanian organization is presented, in terms of a quantitative and qualitative analysis; fourth of all, the results of the case study are presented and future predictions are made concerning the situation of similar organizations in Romania as well as in other countries worldwide; fifth of all, the conclusions of this research paper are drawn, the limitations are presented and justified and the future research plans are presented.

Key words: human resources management, policies, instruments, strategic personnel planning, quantitative analysis, qualitative analysis, Romania's situation.

JEL-classification: J24, M00, M50, M51, M53, M54, O15, O20

Introduction

The human resources management is extremely important today due to the fact that it offers each and every company the opportunity to evaluate its most important asset, the personal, based on the past and present evolution, while using the appropriate policies, measurements and instruments, as well as by taking into consideration its general rules and regulations (Armstrong, Michael, 2006; Itika, Josephat Stephen, 2011).

Moreover, the strategic personnel planning, as part of the human resources management offers, in turn, an in-depth analysis of the human resources in an enterprise (Civil Service Branch, 1995).

However, the advantage of considering the strategic personnel planning is that besides the fact that it provides relevant data concerning the past activities of the company it also provides the opportunity to make a prospect of the current situation and offer a valid future perspective in terms of (Government of Romania, Ministry of Labour, Family and Equal Opportunities, 2007):

- The incoming and out coming personnel of the company;
- The past needs;
- The current need and the future needs of the company based on the income, the future plans and the general availability of marketplace as a whole.

Furthermore, there is a need for a higher involvement of the companies in terms of creating a better working environment, with respect towards the personal, the environment itself, while taking into consideration the following elements (Article no. 1: Chapter 1: "What is human resources management?", Jones and Bartlett Learning; Article no. 2: "Întreprinderile mici și mijlocii (I.M.M.)", 2012; Article no. 3: "Beginning Management of Human Resources, v. 1.0", 2012; Article no. 4: "Introduction to human resource management and environment"):

- The equality;
- The opportunities of the employees to be promoted;
- The possibilities of the employees to get more involved in the daily development of the company;

- The opportunities of the employees to have access to training programs.

This research paper entitled “Creating Comprehensive Human Resources Management Policies and Instruments by Using Strategic Personnel Planning – A Case Study on Romania’s Situation: a Quantitative and Qualitative Analysis” focuses on the following key aspects:

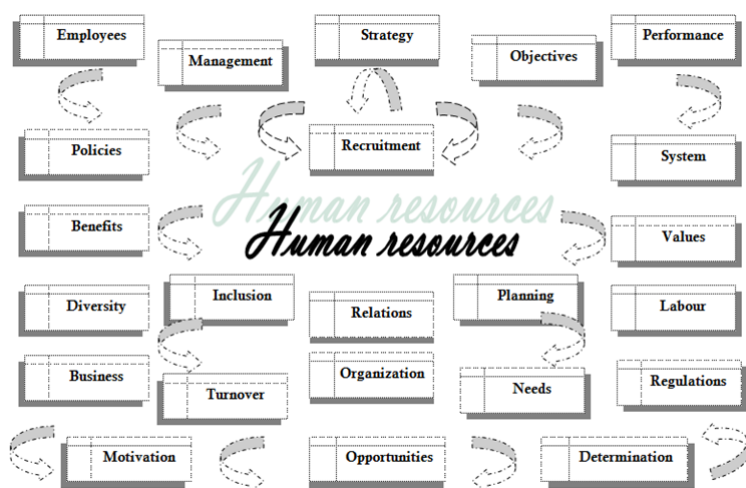
- The notions of human resources management and strategic personnel planning are defined and analysed;
- The necessity and the importance of creating and using comprehensive human resources management policies and instruments is taken into account;
- A case study done in a Romanian organization is presented, in terms of a quantitative and qualitative analysis;
- The results of the case study are presented and future predictions are made concerning the situation of similar organizations in Romania as well as in other countries worldwide;

- The conclusions of this research paper are drawn, the limitations are presented and justified and the future research plans are presented.

1.) What is “human resources management”?

The “human resources management” makes the connection between the organization, the employer and the employees, in terms of reaching the objectives and the goals of an enterprise, as well as in being able to focus on the strategies needed in order to offer the employees the possibility to transform the company’s targets into their own set of objectives, triggered by moral values and by the use of policies and regulations able to strengthen the company’s position on the marketplace (see, in this matter, Figure no. 1: “Human resources – significance, importance, implications, triggers and values for an organization”).

Figure no. 1: “Human resources – significance, importance, implications, triggers and values for an organization”



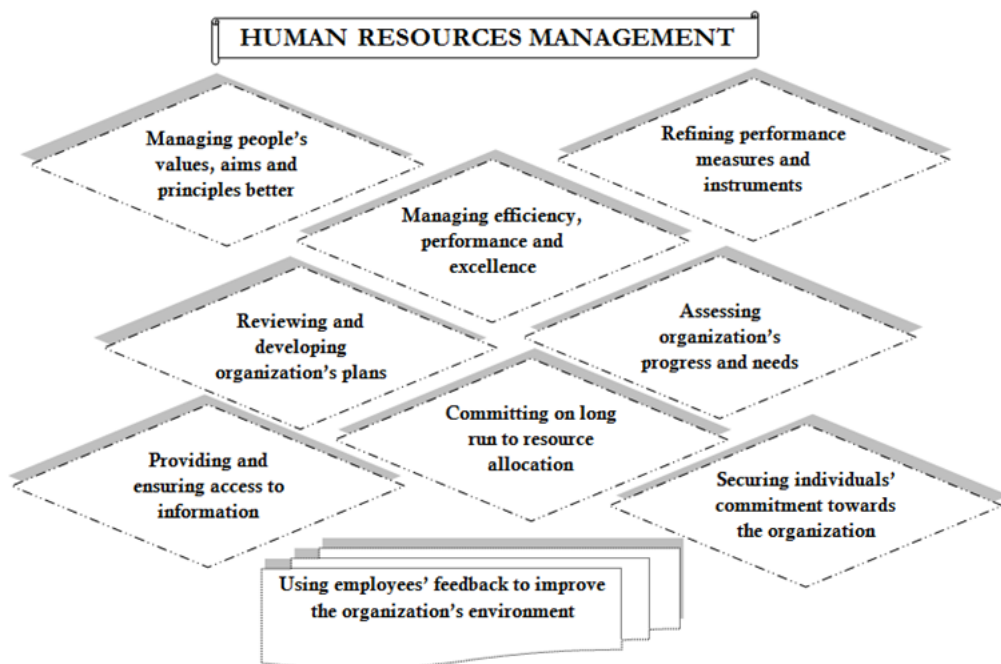
Source: The Authors’ ideas after analysing the scientific literature presented in the reference section of this Article.

With the help of the human resources department, during the recruitment period, the individuals selected as having the potential of becoming employees on medium or long run, should be the ones that think less of the benefits (although they are also important and extremely motivational) and more on the chance offered to have a job in a prestigious company, or in a company in which the turnover is high and in some particular cases it can be shared in a higher percentage with only a specific range of employees (a case that usually happens in law firms, where the best attorneys are the ones who will be rewarded, in time, by being made partners and gaining much more than the rest of the co-workers there).

In addition, during the selection process, the focus should be (besides, the prestige

and the profit of the company, which were the two factors previously mentioned above) also on the diversity of tasks that someone may have the chance to perform at the place of work and the promotion opportunities offered. In this case, it can be noticed that, given the needs of the company, the enterprise may get to expand, open new branches (in the same area or in a different area, in most cases, in different countries as well) and need the best employees to get involved in jobs that will required greater responsibility, which in turn will mean a higher income as well. So, a good business should know how to motivate the employees and determine them to stay focused on work, profit and promotion opportunities.

Figure no. 2: "Human resources management and what does showing commitment on long run towards an organization really means"



Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

It is a general fact that between the employer and the employees of a company will always be some tensions. In this matter, the aspects presented below need to be taken into consideration when analysing the role and the importance of the human resources management (see, in this matter, Figure no. 2: "Human resources management and what does showing commitment on long run towards an organization really means"):

- Managing people's values, aims and principles better: this means that being aware of people's values, aims and principles is not enough and the key to success is represented by establishing and appropriate manner in which all these elements are recognized and put to work by the organization;

- Managing efficiency, performance and excellence: the basic elements represented by the profit, revenue, efficacy and efficiency need to be overcome by aspects such as performance and excellence, which refine each organization goals and offer the chance to set a new level of competition, beyond the one with other companies acting on the same type of market and addressing a similar range of customers, the one of competing with oneself, and trying and even attempting to be better from one day to another;

- Refining performance measures and instruments: which gives the chance to an organization to focus not only on elements such as the income, profit, market quota, but also on aspects connected to preserving the environment, using ecological products, becoming sustainable in time and showing respects towards individuals values and needs;

- Reviewing and developing organization's plans;

- Assessing organization's progress and needs;

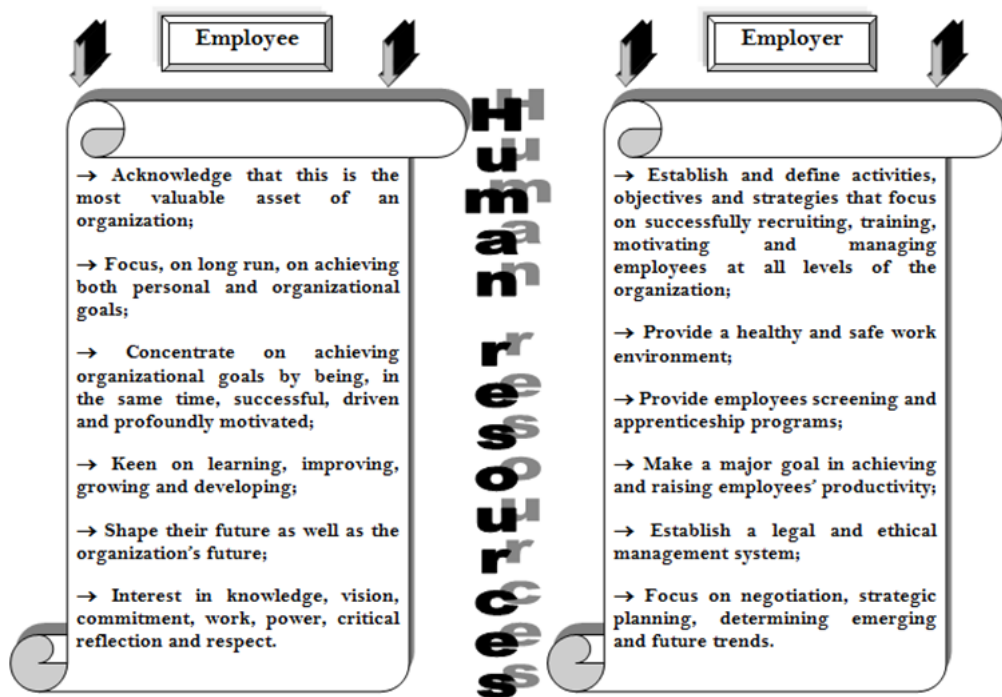
- Committing on long run to resource allocation;

- Providing and ensuring access to information;

- Securing individuals' commitment towards the organization;

- Using employees' feedback to improve the organization's environment.

Figure no. 3: "The relationship existing between the employee and the employer – valuable connection of the human resources management in an organization"



Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

It is our strong opinion that by using the employees' feedback to improve the organization's environment, as well as by taken into consideration the employees' suggestions, in time, a company will become more and more valuable for the people working there and for the community in which it activates. Also, additionally, by offering individuals the chance to express their own thoughts and their own experience based on practice, the enterprise will only have to gain. The solution, on the long run, is to establish a strong bond between the employer, the company and the employees, based on values such as: respect; the appraisal of hard work; the legal rights recognition; the chance to be rewarded and

prompted, the opportunity to become more involved in the company and to work closer to the people having managerial positions; the possibility to become more visible and more implicated in the organization's life. Hence, it is not enough for a company just to state, among its values, the idea of being opened to the employees' suggestions, ideas or feedback. An enterprise needs to really show all these elements stated above and put all its values into action and into practice in order to be respected, trustworthy and find its recognition.

So, regarding the employees of an organization, the following aspects need to be seen as both extremely valuable and

important (see, in this matter, Figure no. 3: "The relationship existing between the employee and the employer – valuable connection of the human resources management in an organization"):

- Acknowledge that this is the most valuable asset of an organization;
- Focus, on long run, on achieving both personal and organizational goals;
- Concentrate on achieving organizational goals by being, in the same time, successful, driven and profoundly motivated;
- Keen on learning, improving, growing and developing;
- Shape their future as well as the organization's future;
- Interest in the elements stated below: knowledge, vision, commitment, work, power, critical reflection and respect towards the organization's values and implication on the marketplace.

Also, concerning the employers of an organization, the following aspects need to be seen as both extremely valuable and important (see, in this matter, Figure no. 3: "The relationship existing between the employee and the employer – valuable connection of the human resources management in an organization"):

- Establish and define activities, objectives and strategies that focus on successfully recruiting, training, motivating and managing employees at all levels of the organization;
- Provide a healthy and safe work environment;
- Provide employees screening and apprenticeship programs;
- Make a major goal in achieving and raising employees' productivity;
- Establish a legal and ethical management system;

- Focus on negotiation, strategic planning, determining emerging and future trends.

2.) What does "strategic personnel planning" represent?

"Strategic personnel planning" represents a key element belonging to the management of the human resources of an organization, which has the power of focusing on the past activities of the employees of an enterprise, by establishing their role, their importance and their concrete actions done in order to help the organization to gain more profit and become more visible on the marketplace, as well as on the present and future activities of the employees, by determining their current involvement and the situations in which more implication will become necessary.

In the following lines, the relationship existing between the organization, human resources management and strategic personnel planning was presented, in order to express the need of strategic personnel planning in each and every enterprise worldwide: mainly, the strategic personnel planning takes into account the personnel needed in the short and long term; according to the developments in the labour market; to fulfil a strategic vision of the organization (see, in this matter, Figure no. 4: "The relationship existing between the organization, human resources management and strategic personnel planning").

Figure no. 4: "The relationship existing between the organization, human resources management and strategic personnel planning"



Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

Moreover, it should be taken into consideration that the strategic personnel's planning represents one of the measures for success in an organization which shows the enterprise's responsiveness to the changing environmental needs and the circumstances of a region, a country or a union of countries. Furthermore, each organization should get the chance to learn how to work in a continuously challenging environment and how to deliver new and improved goods and services demanded by a more complex and sophisticated in matter of tastes, goals and aspirations communities.

For all the organizations, the resources are extremely important, however the focus should be at all times on the most valuable resource ever, the individuals. It can be noticed that the organizations worldwide become more open, more aware of the importance

of the individuals (with reference to the employees, as well as the customers themselves), and more accountable when it comes to the law, the human rights and to the need of preserving and respecting the environment, in the strive to be committed not only to gaining profit and visibility, but also to creating and maintaining a reputation, committing on long term to specific standards and values, and reaching performance and excellence. In addition, adaptability becomes a must in turbulent times such as the ones in which humanity is living. By adaptability an organization refers to the following key elements: the strength to maintain itself on the marketplace, but not at all costs, by taking into consideration a set of values, by being responsible, by showing respects towards nature and individuals and by becoming an example for other competitors (as in the cases

in which a company values its reputation and the way the employees and the clients perceive it in time); the dedication to a certain cause (as in the case of the companies that are involved, besides their usual line of work, to other activities that implicate training, voluntary and community work, concern to people in need in case of natural disasters or illnesses); the skill to create new and improved products, capable to answer to the consumers' needs or even generate new needs.

All in all, the strategic personnel planning process of the human resources managerial department should be seen far more than a necessity. It should be regarded as a way to strengthen the commitment of the employees to an organization, in order to generate excellence and performance on medium and long run; it should maintain a dynamic, positive and progressive approach when it comes to managing and leading individuals – in an attempt to make all the individuals partners and having an equal involvement and positions in the company; and it should be seen more like a path of showing and strengthening the values and the vision of the company itself, rather than an obligation or a way to force a set of rules and regulations to people.

3.) A Case Study on Romania's Situation: a Quantitative and Qualitative Analysis

In this section of the article our focus was on a case study on Romania's situation, which implicated both a quantitative and qualitative analysis (see, in this matter, Figure no. 5: "Creating comprehensive human resources management policies and instruments by using strategic personnel planning"). The first part of the analysis,

represented by the quantitative analysis, takes into consideration the situation existing in a Romanian enterprise. The second part of the analysis, represented by the qualitative analysis, takes into consideration the situation existing in a Romanian enterprise.

The company chosen for the case study falls in the category of small and medium enterprises, due to the fact that it respects the following criteria which are specific to the Romanian law concerning the structure and the existing types of companies (see, in this matter, <http://www.antreprenor.su/2012/03/intreprinderile-mici-si-mijlocii-imm.html>):

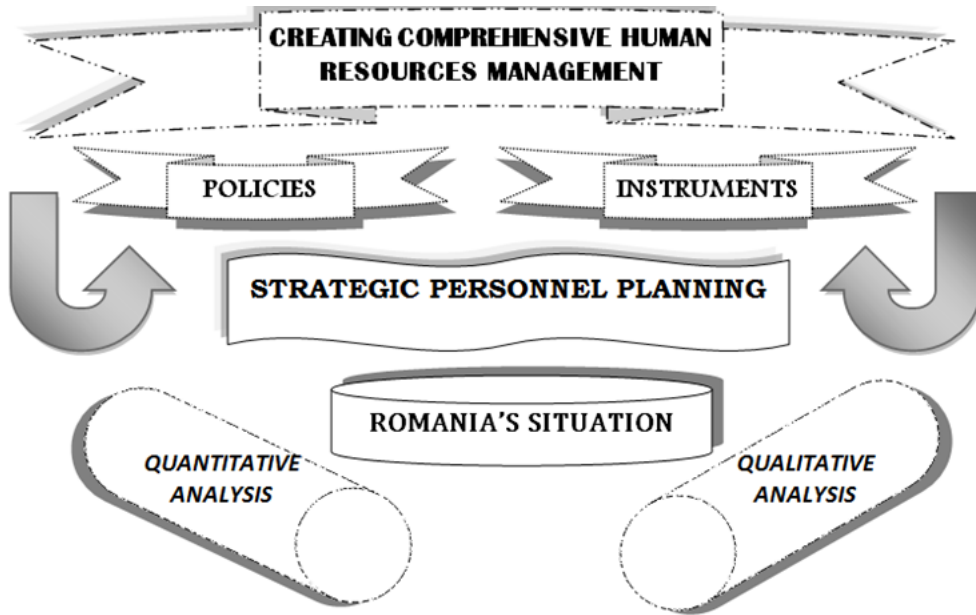
- The small and medium enterprises are those who do not have a gross profit of more than 5 million euros;
- The small and medium enterprises are those who have an annual turnover of less than 8 million euros.

Moreover, regarding the number of employees, in Romania there are the micro enterprises, which have between 0 and 9 employees; the small enterprises, which have between 10 and 49 employees; and the medium enterprises, which have between 50 and 249 employees.

The case study takes into consideration the evolution of a small and medium company for a time period of seven years, starting with the year 2010 and ending with the year 2017, when the results were processed, analysed and presented.

In the lines below, the focus is on the first part of the analysis, represented by the quantitative analysis, and takes into consideration the situation existing in a Romanian enterprise.

Figure no. 5: "Creating comprehensive human resources management policies and instruments by using strategic personnel planning"



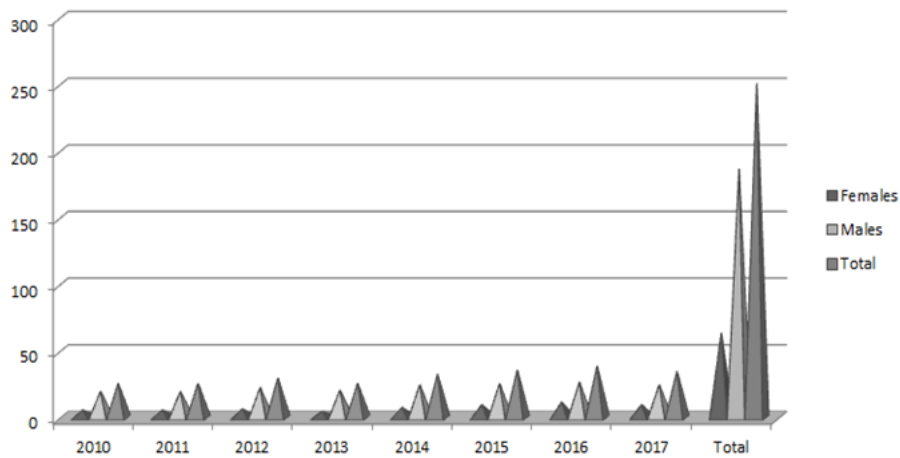
Source: The Authors' ideas after analysing the scientific literature presented in the reference section of this Article.

The company had in 2010 a number of 26 employees, out of which 6 were females and 20 were males. In 2017, the number of the employees reached a total number of 35, out of which 10 were females and 25 were male (see, in this matter, Graph no. 1: "The number of employees' evolution during the time period 2010 and 2017 – inflows and outflows"). As it can be noticed, there were years in which some of the employees left the company as well as moments in which the company felt the need to expend in terms of employees.

In addition, concerning the age of the employees, in 2010 out of the 26 employees,

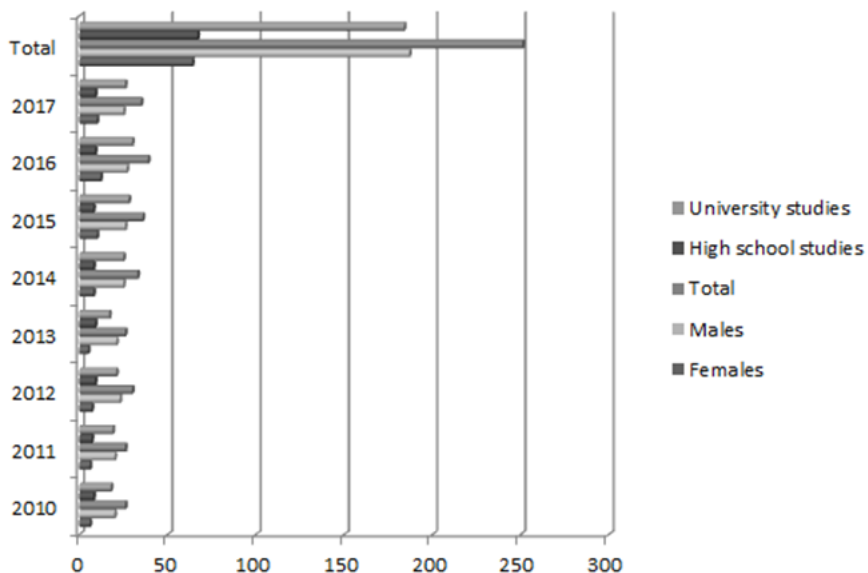
15 of the employees had between 25 and 30 years old, while the rest had between 30 and 45 years old, by comparison with 2017 when out of the total number of 35 employees, 30 had between 25 and 30 years old, and the rest had between 30 and 45 years old. Also, taking into consideration their studies, it can be seen that at the beginning of the research, 8 of the employees had high school studies out of 26, while in 2017, 9 out of 35 had high school studies, while the rest of 26 employees of the company had university studies (see, in this matter, Graph no. 2: "The employees' evolution during the time period 2010 and 2017 in terms of studies statistics").

Graph no. 1: "The number of employees' evolution during the time period 2010 and 2017 – inflows and outflows"



Source: The Authors' own computation based on the data gather from the case study done for this Article.

Graph no. 2: "The employees' evolution during the time period 2010 and 2017 in terms of studies statistics"



Source: The Authors' own computation based on the data gather from the case study done for this Article.

Based on the data presented above, concerning the inflows and the outflows of the company, as well as the age distribution statistics and studies statistics, the following trend estimates can be made:

- First of all, taking into account the statistics stressed above as well as other economic, monetary and financial data concerning the company's evolution in time, the company will continue its ascending evolution in the next five years, regardless of the market fluctuation, due to the fact that it managed successfully to overcome the economic, monetary, financial and social crisis that started in 2007 (before the analysis started) and which became more acute after 2010. Additionally, it can be noticed that even in times of turbulence and insecurity, the company managed to gain profit and obtain market share, as well as focused on hiring new personnel in times of need. Moreover, the company had the power over time to facilitate the old and valuable employees to be part and to get them involved in its activities on the long run. Furthermore, out of 26 employees that the company had in 2010, 15 were still in the company in 2017.

- Second of all, the company is willing to open a new working point by the end of 2018, after carefully prospecting the market in order to find a good place to do that. From the data gathered by the company until present, the best option is to open a new place in the same city but in a different area, where they noticed that they have a considerable number of valuable and important customers. In this matter, they are also considering to relocate some of the existing personnel as well as hire new people.

In the lines below, the focus will be on the second part of the analysis, represented

by the qualitative analysis, and takes into consideration the situation existing in a Romanian enterprise.

In this matter, the first step was to interview the managers and the director of the company about their human resources management plan and their strategic personnel plan, while having in mind aspects such as the renewal of the production processes, the availability of new and improved resources (by also taking into consideration the company's concern towards the environment), the importance of the employees in the organization, their place and their role for the company's evolution on the medium and long run, as well as how might innovation be possible.

In addition, the second step was to interview the employees of the company, in order to find out answers to the following aspects: do they feel that they share the values of the company; would they like to add new goals to their own carrier plan as well as to the company's strategy; do they have a plan concerning their carrier path and what does that implicate from their own perspective and from the company's perspective; would they like to get more involved in the management of the company or they prefer their current position; are they interested in developing and implementing new strategies for the company in order to become more successful and more visible on the marketplace.

By corroborating the answers gathered from both angles in the time period 2010 and 2016, the following elements emerged as seen in the lines below:

- There is a need for the human resources management revitalisation as well as for the strategic personnel plan development.
- The employees take into consideration, on a regular basis, their carrier path

and their carrier opportunities, especially after they were involved in trainings, and specializations (for example, in terms of new studies, university studies, master studies), and also when they are usually between the ages of 25 and 35 years old.

- The managers are keen not only on obtaining profit and market value, but also on mapping the future in terms of the resources used, alternative resources possibilities and raising the production. However, raising quality becomes also an important factor, especially due to the strong competition existing on the marketplace. Being a Romanian company in a country which is part of the European Union is an extremely challenging factor, the reason being that over time only a few Romanian companies had the power to survive, be competitive and face successfully the competition.

- The assessment of the staff may be done not only by the managers and the director, but also by other people in the company who get in touch and who collaborate with each other. Additionally, the feedback of the providers, suppliers and clients is regarded as being equally important.

- The company should focus on more targeted training plans as well as on robust training programs, especially if new innovations in terms of new techniques and technologies are to be approached. Moreover, effective recruitment procedures should be implemented, in order to spot right from the beginning the interviewees who have a great potential and who would offer the company the opportunity to grow in time.

- Knowledge Management should be the key to all individual and collective programmes, in order to future develop and have an experienced staff.

Conclusions:

The paper entitled "Creating Comprehensive Human Resources Management Policies and Instruments by Using Strategic Personnel Planning – A Case Study on Romania's Situation: a Quantitative and Qualitative Analysis" stresses the importance and the role of the human resources management in a company as well as the necessity of creating the appropriate policies and instruments capable to generate success, higher profit, most wanted performance and excellence in time. Moreover, it focuses on a key element, strategic personnel planning, which, in fact, has the power to determine the well-being of a company and the set of rules, regulations and procedures that an enterprise should take into consideration on the medium and long run in order to ensure higher standards, better working conditions for the employees, and the needed respect for the environment. Furthermore, the aspects represented by the strategic personnel planning, as part of the human resources management of a company, should focus both on qualitative and on quantitative data and analysis.

Due to this fact, the paper emphasis the information gathered while performing a case study on a Romanian enterprise. In order to present robust, relevant and useful data, the case study was based on data gathered between the time period 2010 – 2017, with results processed and analysed at the beginning of the year 2017.

In terms of the limitations of this study, it may be noticed that the study took place in Romania and took into account a single small and medium company. Moreover, the time period chosen is 2010 – 2017. However, the data gathered is extremely relevant and

had the power to emphasize both the importance of strategic personnel planning as well as the necessity of developing appropriate human resources management policies and instruments.

All in all, the study is extremely valuable for practitioners, for researchers, for professors as well as for students, due to the combination of theoretical elements with the practical aspects.

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Creativity and innovation in management

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Abstract: *The paper aims to briefly present the relation between creativity and innovation and the ways in which a modern management can favourably influence the employees' attitude in various contexts so that they are creative and, at the same time, finishers. We can mark out the fact that the management of a company can design intensive learning methods and facilitate the exchange of ideas in order to increase the speed of innovation in business. Intensive learning methods, collecting significant information from case studies generate value and powerful business solutions. Facing avant-garde competitors and the real improvement of internal processes represent the stakes of high-performance companies. Opportunities also mean taking risks that make the difference between conventional solutions and unconventional solutions. In such circumstances, the differences are also achieved by the quality of the evaluation and the selection of team members.*

Keywords: Creativity, innovation, management, leadership, competencies, roles

Introduction

Management should be concerned with encouraging employees to generate new ideas on the one hand and creating the conditions to be put into practice on the other hand. In the current context, creativity and innovation are becoming the ingredients needed to increase the organizational performance on the one hand and motivate employees on the other. This is the reason why of high-performance companies are looking for solutions to promote creative employees and, at the same time, to identify executives who can turn to profit the ideas of the creative and innovative employees. In the world of globalization, the distance between the moment of the emergence of an idea and its materialization is very small. Modern technologies facilitate the transmission of ideas and this is the reason why in today's world, the traditional company is replaced by the virtual company.

This is why organizations need creative and innovative staff. There are enough situations where decision-makers, through poor management, hinder the creation of an organizational culture that has as ingredients creativity and innovation. Unfortunately, in such situations, leaders are incapable of stimulating a creative climate. Successful management needs to focus on: designing high-performance teams, creating a climate to facilitate collaboration, encouraging employee creativity, creating the conditions for benefitting from creative ideas. In many situations, managers are more concerned about maintaining order and controlling costs without taking into account that creative people are nonconformist and, most of the times, neglect financial issues. Even if they seem apparently incompatible, managers and creative people are complementary,

and the success of the organization depends on the collaboration between them.

Freedom and flexibility at work provides innovating employees the opportunity to have more vision and therefore they have to work with conventional colleagues who have the ability to focus on details and processes.

Benchmarking and synergy become powerful arguments of organizations that encourage creative people and facilitate their collaboration with human profiles centred on details and processes.

For that matter, there are models within the field of human resources that mention the importance of complementarities in designing teams. The relationship between role and competencies becomes decisive (Belbin).

Creativity and innovation - organizational realities

Organizational life is decisively influenced by the creativity of each employee and by the organization's teams as well. The ability of a company to find new solutions to emerging issues (conflict situations, stress situations, poor use of time) may lead to the creation of new technologies, new methods of organization and leadership. Enhancing creativity allows the anticipation of change and the process of finding new operational methods. The dynamic environment and the tolerance in which the routine is eliminated, the stimulation of the creative behaviour, as well as the creation of control and modelling methods for creative ideas, are of utmost significance in encouraging creativity.

Creativity and innovation

Creativity involves generating new

ideas and innovation means using ideas to create new products / services.

Thus, Creativity creates mutations within us and innovation creates mutations within our existence. Naturally, the shift from creativity to innovation is made through action. Educating people in a creative and innovative spirit requires an adequate selection, but also a permanent training. Implementing ideas for the benefit of organizations and the community requires another management model (more creative and innovative).

"Creating Ideas" implies a coherent way of thinking and action that takes into account the unfolding of some stages in which ideas emerge and actions are defined; such ideas and actions will be promoted through a process that takes into account the following stages: defining the problem, the collection and assessment of information, incubation, illumination, verification and application.

In fact, the creative process requires: generating new ideas, solving the problem (developing ideas), and implementing it.

The restrictions imposed by the market determine companies to find solutions in terms of resources, processes and

relationships with markets. From this perspective, we can speak of a creative and innovative management.

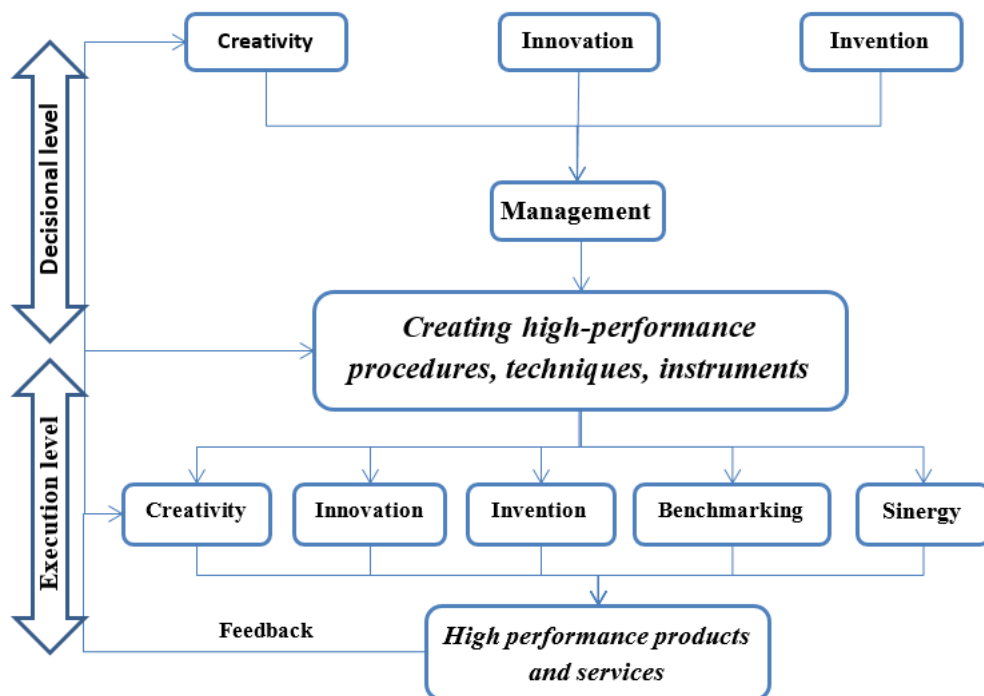
Benchmarking and synergy become methods by which companies can adapt themselves using either the experiences of others or by building their own experiences.

The process of generating ideas can become innovation when such ideas come from all levels of the organization through the involvement of as many employees as possible. These radical changes can cause real collisions inside the company and within the relationships of the company with the external environment.

Within the process of innovation, a close collaboration between technical specialists, financial specialists and administrative staff is needed in order to keep the costs of innovation within acceptable limits (Toma, Gradinaru & Papuc, 2013).

Figure 1 presents a model for improving the managerial processes and the quality of products and services through creativity, innovation and invention.

Figure 1 - Model for improving the managerial processes and the quality of products and services through creativity, innovation and invention



Author: Paul Marinescu

Performing companies use creativity, innovation and invention as catalysts not only at product, services and events level, but also at decision level. Thus, we can speak of a “network” of creativity, invention and innovation at the level of the entire organizational system. The methodological-managerial system by means of the methods, techniques and procedures used in carrying out the managerial processes and relationships within some organizations also becomes a “creative laboratory”. Thus not only the employees are creative, but also the organization is creative.

Furthermore, avant-garde companies (GOOGLE, FACEBOOK, APPLE, etc.) have

revolutionized management just because of creative managers. Thus, the idea that management is just a form of efficient business management is no longer valid. It also becomes a means by which creative contexts are built. The organizational environment thus becomes a laboratory in which the solutions imposed by the market are validated. The presented model suggests that the signals we receive from the market has the ability to influence the components of creativity, invention and innovation both at the level of the decision makers, as well as at the level of those working in the research and creative departments. We can talk about “pyramidal”

creativity, invention and innovation because the creative management of the company influences the specialized departments that in turn produce creative products. In this "economic equation" we have introduced as absolutely necessary "ingredients" both synergy and benchmarking as elements that significantly improve the end result.

By creating a favourable climate, the quality of the communication process decisively influences the organizational performance in the context of some complex changes.

There are researchers who argue that competitive leadership is essential to create a climate favourable to creativity and innovation at the level of working groups (Amabile et al., 2004) and at the level of research and development groups, as well as at the level of the management of organizations (Woodman, Sawyer & Griffin 1993). Unfortunately, leadership is rarely studied as a motor of creativity (Mumford et al., 2002).

Fjóla Björk Hauksdóttir presents in the thesis *Positivity: a key to enhancing creativity* (http://skemman.is/stream/get/1946/7400/19813/1/Master_thesis.pdf) the way in which creativity can be improved through a quality leadership. Obviously there are certain behaviours of leaders that encourage employee creativity. The author made a qualitative study based on nine interviews at three companies in the Icelandic creative industry (PCC, CAOZ and the Icelandic Advertising Agency).

The results of the processing reveal that positive attitude and thinking represent key factors that contribute to the increase of creativity, motivation of employees and the setting of a psychological well-being. The feeling of belonging to the group is created,

the desire to treat people with respect is manifested, and one learns that the quality of the effort increases and the organization of work and performance are improved. The experience of freedom (autonomy) at work, the consistency of the mission, good morale, and meaningful dialogues with the manager can lead to constructive solutions. It would be extremely useful to have an indicator that highlights how creativity can be improved. Specialised literature mentions several variables which can contribute to the increase of creative capacity: intelligence, abilities, beliefs, values and cognitive styles (Nickerson, 1999). It is encouraging to observe that creativity can be improved (Amabile, 1983; Sternberg & Lubart, 1996), as well as the motivation of those involved in the creative process. Analysing the perspectives of several authors regarding the stages of a creative process, we note the significance of the catalyst role of the management within the cause-effect relationship between creativity and innovation.

The analyses of Wallas, Rossman, Osborn and Amabile emphasize the relationships that exist between preparation, incubation and understanding the problem as elements that lead to creative solutions.

We further mention a few of their contributions to defining the relationship between the problem and the creative solution, enumerating the phases that each author considers to be edifying in the process of creativity:

Wallas (1926) - preparation (exploring the dimensions of the problem), incubation (internalizing the problem in the unconscious mind); "intimation" (a feeling that a solution is on its way), illumination or understanding, insight (the idea is consciously verified and applied). (In numerous publications, the

referral stage is considered to be a sub-stage and, in this case, the model has four stages).

Rossman (1931) - observing a need or a difficulty, the analysis of a need, a study of all the available information, a definition of all objective solutions, a critical analysis, the birth of the new idea, experimentation, selection and the final improvement, achievement.

Osborn (1953) - emphasizing the problem, preparation, analysis, idea, incubation, synthesis, evaluation.

Amabile (1983) - presentation of the task, preparation, generation of ideas, validation of the idea, evaluation of the results.

It is of interest how Trott defines the innovation cycle (Trott, 2008, p. 97). The following are the elements of the innovation cycle that Trott takes into account: the attraction of creative people, the organizational encouragement of creativity and innovation, the development of innovative products, the willingness within the organization to accept new ideas, the motivation of the people within the organization, the organization and its concern to reduce frustration, the process of identifying the motivational components to facilitate the growth of the morale and the encouragement of creative people.

The strategies specific to the innovation process are influenced by the quality of the decision to innovate. Innovative organizations rely on their own resources, as well as on ideas and technologies from outside. An important source of ideas and technologies is related to the partnerships with universities and government institutions. From a theoretical point of view, the stages are distinct, but, from a practical point of view, it is difficult to make a distinction between them. Innovations with a major impact are based

on teamwork because it has the virtue of enhancing the complementary competencies of team members. The analysis of the organizational environment, the stakeholder analysis and the SWOT analysis provide convenient signals in reference to: performance issues, technical information, financial resources needs. The structure of the organization can facilitate: its relationship with its environment, the creation of ideas, and the transition to and between the stages of the innovation process.

Conclusions

The practice of systematic innovation demonstrates that some innovations that seem very large can become technical virtuosity, and some, with modest claims or expectations, can become huge profitable businesses. No matter their individual motivation (money, power, curiosity, or desire for fame and recognition), successful innovators aim as high as possible.

The size of a company does not constitute an impediment to innovation and there are no rules regarding the amount of resources or the size of the business. The innovative system and innovation can be taught and, if perceived as a training investment, they can generate success. If we see change as opportunity, we shall be able to facilitate a creative climate. Managing innovation requires an encouraging behaviour towards staff. This is why there is a close relationship in cause-effect relationship between creativity, invention and innovation, as the triggering factor of a relationship between the aforementioned can be any of them. Therefore, the management of an organization can use the results of

these causal relationships to increase performance and, at the same time, it can increase their efficiency to the extent that it is actively involved in creating a favourable climate for ideas.

Unexpected success offers excellent opportunities for successful innovations, but also risky situations whose analysis is difficult. In no other area, innovative opportunities are no less risky and their pursuit less tedious. Unexpected failure cannot be avoided if there are contexts where mistakes are

perpetuated, managers are incompetent, and the economic analyses are brief.

Innovative leadership must be constantly concerned with remuneration, incentive and reward, and at the same time with a flexible monitoring, control and assessment system. Innovation and creativity must not be a casual result, but rather the result of a carefully elaborated process in which all human, financial, informational resources are of extraordinary importance.

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The many faces of leadership: an entrepreneurial perspective

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Abstract: *It has long been recognized that entrepreneurship is the vital force that drives innovation and economic growth. Entrepreneurship is shaped by a portfolio of forces and factors.*

In this paper we want to underline that entrepreneurial leadership is critical for the achievement of entrepreneurial goals. Also we try to identify commonalities between the two domains, entrepreneurship and leadership, with a particular focus on what entrepreneurship could gain from more explicit incorporation of some leadership issues. Since change is constant, organizations need to be more flexible on their path to growth. In this process, entrepreneurs undergo a process of identity change by acquiring new behaviors and skills that sustain organizational transformation. Moreover, by adopting a sympathetic leadership style, entrepreneurs accommodate both creativity and organizational synergies that may help their organizations to develop and prosper.

The methodological approach is literature review.

Keywords: entrepreneurship, leadership, creativity

JEL Classification: M19, M29

1. Introduction

John Antonakis and Erkki Autio (2006) begin their paper "Entrepreneurship and leadership" with this statement: entrepreneurs do not need to convince only themselves when starting a new business: perhaps even more importantly, they need to convince their customers, external resources holders, and their employees of the viability, worthiness, and value of their vision. Entrepreneurs need to paint a vision that is uplifting, convincing, and resonates with the desires of those who need to comply with their vision. Entrepreneurs need to use this vision to inspire internal and external followers. Entrepreneurs need to project and inspire confidence that the vision is achievable. Finally, entrepreneurs need to manage the process of organizational emergence in such a way as to achieve the transfer from a vision to an ongoing, institutionalized mode of transacting within a given social and economic context. These objectives cannot easily be attained by relying solely on the force of one's own personality traits, one's desire for achievement, or one's tendency to overestimate one's own strengths and underestimate risks, nor can they be easily attained through sheer persistence, tenaciousness, or low vulnerability. Something more is required – qualities that are projected through behaviors in daily encounters: leadership. And also creativity.

Before going forward we must examine the meaning of the three key words of the issue: entrepreneurship, leadership and creativity. A classic definition of entrepreneurship is proved by Timmons (1994): Entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently

controlled. According to Stolze (1999), entrepreneurship is a profession for which there is no apprenticeship. No matter how many books you have read, no matter how many courses or seminars you attend, no matter how much advice you get from "experts", no matter how many small companies you work for, there is no substitute for the actual experience of doing it yourself".

On the other hand, leadership is a process of social influence, which maximizes the efforts of others, towards the achievement of a goal. (Kruse, 2013). A simple definition for a leader is: somebody who shows the way forward; a person convincing others to follow a course of action.

If you can make people believe in your dreams and share your goals so that they are willing to invest hard-earned cash in your venture, chances are you have what it takes" (Lesonsky, 2002).

The rational decision-maker needs also creativity: the ability to produce novel and useful ideas. These are ideas that are different from what's been done before but also appropriate to the problem or opportunity presented (Robbins and De Cenzo, 2005)

The paper is structured into five chapters. The second chapter focuses on the following question: Are Entrepreneurs Visionary Leaders? The third chapter presents the growth process of the firm and the need for entrepreneurs to metamorphosise into leaders. The fourth section presents the importance of creativity for entrepreneurship. The fifth chapter focuses on entrepreneurial leadership. The last chapter presents the conclusions of the paper.

2. Are Entrepreneurs Visionary Leaders?

A vision is something that you yearn for, we aspire to, something that is the binder of our company, the driving force, its inner vitality. When we are touched by a vision, the deepest values in us come into action, acquiring a sense of long-term goal of our company.

The way an entrepreneur leads the venture should be much like the jazz band leader – drawing out the best of other individuals even given the unpredictability of the situation. And one way that an entrepreneur does this is through the vision he creates for the organization. In fact, often the driving force through the early stages of the entrepreneurial venture is the visionary leadership of the entrepreneur. The entrepreneur's ability to articulate a coherent, inspiring, and attractive vision of the future is a key test of his leadership. If an entrepreneur can do this, the results can be worthwhile (Robins, DeCenzo, 2005).

Our traditional view of leaders is that they are special people who set direction, make key decisions and motivate staff, often prevailing against the odds at time of crisis. They have vision – something entrepreneurs certainly have. They are strategic thinkers and are effective communicators whilst still being able to monitor and control performance. Above all, they create the appropriate culture within the organization to reflect their priorities (Burns, 2011).

Timmons (1999) describe successful entrepreneurs as patient leaders, capable of instilling tangible visions and managing for the long haul. The entrepreneur is at once a learner and a teacher, a doer and a visionary. Timmons talks about six dominant themes

for successful entrepreneurs: 1. Leadership, 2. Commitment and determination, 3. Opportunity obsession, 4. Tolerance of risk, ambiguity and uncertainty, 5. Creativity, self-reliance and ability to adapt, 6. Motivation to excel.

Entrepreneurs have a long term vision, but are also relentlessly focused on the activities that get them to their vision into the "here" and "now".

Leading change depends on a defined dissatisfaction with the present, a vision for how things should be and a clear idea of the first steps that need to be taken.

3. The growth process

According to Aaker and Mascarenhas (1984), companies need to become more flexible on their path to growth since they face an ever-increasing uncertainty and unpredictability. Hirschorn and Gilmore (1992) suggest that to achieve flexibility implies a shift from structural to psychological barriers. As such, entrepreneurs should manage the authority boundary by listening, accepting (constructive) criticism and stimulating employees to challenge their opinion. They also need to manage task boundaries by motivating specialized workers to be informed and interested in others' tasks in order to cultivate the sense of a common mission-one of the challenges in flexible work organizations. Simply put, entrepreneurs need to learn how to coordinate their efforts in order to perform in a synergistic way (Levin, Volberda, 2003).

As the business grows, the entrepreneur himself needs to change and adapt. The qualities and skills they need to manage the business successfully are under constant change

too. The more rapid the growth of the business, the more difficult this is. The entrepreneur needs to metamorphosise into a leader. The business itself also needs to change the way it operates – its structure and its culture – and become more formal without becoming more bureaucratic. And these changes need to be properly managed if the firm is to grow successfully (Burns, 2011).

This change is not easy. Some choose to only do what they enjoy and are good at – start-ups – and become serial entrepreneurs.

Here it is the background of the entrepreneurs who make this metamorphosis successfully:

- They are well-educated;
- They start the business for positive motivations;
- They leave a managerial job in an established company to start the business;
- They are willing to share ownership of the business with other key managers (Burns, 2011).

Flamholtz and Randle (2000) state that: The first challenge entrepreneurs face is that of establishing a successful new venture. If they have the ability to recognize a market need and to develop (or to hire other people to develop) a product or service appropriate to satisfy that need, their fledgling enterprise is likely to experience rapid growth. It is at this point, whether the entrepreneur recognize it or not, that the game begins to change. The firm's success creates its next set of problems and challenges to survival. Rarely the founders of start-up businesses remain in charge as their businesses become large organizations.

Catlin and Matthews(2001) point out that: The irony of entrepreneurial leaders is that the very behaviors and habit patterns

that lead to success at one stage of growth can contribute to failure at the next stage. It seems that just when you get good at something, you discover it's the wrong thing to be doing!

According to Burns (2011) there are four challenges entrepreneurs face as the business grows:

- Giving direction through leadership;
- Delegation and encouragement of team-working;
- Coordination and control through appropriate organization structures and culture;
- Developing corporate entrepreneurship so as to avoid the bureaucracy that threatens to stifle enterprise in large firms.

Catlin and Matthews consider that entrepreneurs begin with an intuitive leadership style. In the start-up phase they can make decisions "on the fly", improvise when required and manage everything on a day-to-day basis. As the business expands, this approach results in more and more frenzied activity, less time to think and a gradual feeling of being overwhelmed. Now there is a need for leadership to be more deliberate and for growth to be designed rather than accidental. Nevertheless, a successful owner needs to combine this approach with the best of their entrepreneurial characteristics to achieve consistent growth (Price, 2004).

The important point is to move from the owner's operational ability to their strategic ability as the business grows. This is one of the key qualities of leadership.

Catlin and Matthews contend that if the founder is to remain in charge of the expanding business, he or she has to:

- Develop strategies, products/services, customers and markets.

- Develop organizational processes for planning, management and work flow – and also the infrastructure to accommodate growth and expansion.

- Recruit new people and develop teams to handle growth.

- Create a business culture to align people and teams so that they work together effectively.

- Monitor the evolution of the business and adapt their own leadership style as the business expands and changes.

4. Why is creativity important in decision making?

Since change is the result of a continuous process of adaptation of internal processes and practices and the creation of new ones, creativity and knowledge creation can be considered its key-factors (Ionescu et al, 2012). Change is based on bottom-up spontaneous behaviors and therefore, it implies a creative act that may lead to the production of new knowledge. When we use the term “new” we refer not only to the creation of brand new knowledge but also to the adaptation and re-combination of “old” knowledge (Holden, Glisby, 2010).

Creativity tends to be stimulated by challenging or empowering work, free interaction, freedom to experiment and fail, supervisory encouragement, resource availability and work group support (Amabile, 1996). Creativity is a learning process that needs to be practiced and encouraged. While organizations can practice creative behaviors by sympathetic leadership and support mechanisms, the collective power of individuals is shaped by organizational spaces and their social structure (Amabile, Khaire, 2008).

And an entrepreneur-soon-to-become-leader needs to refine/craft the art of combining a sympathetic leadership style with different personalities, preferences and relevant knowledge of their employees by incentivizing critical and creative thinking (Amabile, 1996) and information and knowledge sharing (Holden, Glisby, 2010).

People differ in their inherent creativity – Disney, Picasso, Mozart, Edison, Gaudi were individuals of exceptional creativity. Entrepreneurship also demands for creativity. “Creativity has always been at the heart of business, but until now it hasn’t been at the top of the management agenda. By definition the ability to create something novel and appropriate, creativity is essential to the entrepreneurship that gets new businesses started and that sustains the best companies after they have reached global scale”(Amabile and Khaire, 2008). Okpara (2007) has shown that “no entrepreneur or enterprise, however successful and big, can continue to hold a place of leadership unless it recognizes that modern business operates in a world of galloping change which creates new problems, risk and opportunities and for which they have to mobilize the enterprise’s resources before changes make their impact felt”. An IBM’s study(2010) which surveyed more than 1500 chief executive officers concluded that creativity is the most important leadership quality for success in business. “On one hand, creativity is needed to make decisions fast and good. On the other hand, only creative leaders have the ability to re-think their business models and come up with ideas to drastically change their enterprise. Creative leaders have to be open-minded and inventive. They have to encourage

creativity inside the organization in any way.” (<http://blog.tricider.com/2011/10/20/creativity-leadership-quality/>)

5. Entrepreneurial leadership

Ireland, Hitt, and Sirmon(2003) defined entrepreneurial leadership as the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviors. They defined six imperatives for entrepreneurial leadership: a) nourishing an entrepreneurial capability; b) protecting innovations threatening the current business model; c) making sense of opportunities; d) questioning the dominant logic; e) revisiting deceptively simple questions; and f) linking entrepreneurship and strategic management.

Todd Warren states in Forbes Magazine: I've seen 5 essential qualities in common for entrepreneurial leaders:

- 1.Vision and dissatisfaction with the present;
- 2.Knowing and taking advantage of your unfair advantages;
- 3.The ability to get people on board and add to the vision;
- 4.Flexibility to adapt, openness to feedback, and the ability to learn;
- 5.Persistence and execution.

For all of these 5 elements, some people are naturals at some of them; others may need to be developed.

An entrepreneurial leader must combine many of the traditional skills of management with those of the entrepreneur. They must also reconcile the conflict between the impatience of the entrepreneur with the constraints imposed by an organization in its desire to control events.

The leaders must take an overview; reconciling differing perspective – which may involve conflict resolution, creating a climate of cooperation – which will involve coordination, but also exercising authority when needed to bring forward some initiative whilst pushing back others.(Burns, 2011)

6. Conclusion

Entrepreneurs have a vision for their business at start-up – and ideas aplenty. Building a shared vision with staff as the business grows is no easy task.

As firms grow, the role of the founder needs to change. Like Michael Dell or Steve Jobs or Bill Gates, the founder needs to metamorphosise into a leader. This change is not easy. Some choose to only do what they enjoy and are good at – start-ups – and become serial entrepreneurs. Rarely the founders of start-up businesses remain in charge as their businesses become large organizations

Having and communicating a vision is a key skill of both entrepreneurship and leadership. Developing the vision is a continuous process, checking with staff that resonates with them, modifying it to suit changing circumstances.

At organizational level, it is necessary to encourage creative behavior and develop knowledge by creating organizational spaces through sympathetic leadership and support systems. Then, organizations can breed creative environment through attracting talent, incentivizing the expression of new ideas and divergent thinking, nurturing unconventional problem solving and exploratory thought and encouraging receptivity to ideas.

It appears that the key to durable success consists in the will and ability of the entrepreneur to reach a leader mentality and stature. Lastly, organizations need to be

flexible while they face change. Moreover, entrepreneurs need to adapt and change their own identities and behaviors while creating high-level team synergies. The ensuing

entrepreneurial atmosphere will then heighten the organizational ability to foresee new opportunities and ultimately respond to them.

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Innovation and reengineering – ways of restructuring the company –

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Abstract: *The hereby article aims to describe how innovation and reengineering helps the restructuring of an organization. As I showed already in this paperwork the notion of innovation indicates the adaptation of the structure of an organization to the new. The accommodation to the new led in time and had a major impact in the progress and evolution of society.*

The innovation consists in the discovery of methods and strategies that could lead the organizations towards the alignment with the needs of modern society. The root of innovation are the discoveries these two notions being interrelated. The Dex defines the inventions as being “a solution or technical realization from an area of knowledge who represents something new and progress regarding the stages known before” and to innovate translates as “to face a challenge, to bring something new in an area of expertise or in a system”.

Reengineering on the other hand stands for a management strategy business related who started somewhere in the 90s. Reengineering is used for the reinvention or the innovation of the orientation of an enterprise or the mechanics of the business process towards more productive ways. Both methods (innovation and reengineering) try to optimize the management of the enterprises leading to changes in the process of development of an organization.

Key words: managerial innovation, reengineering.

The managerial innovation has as a main purpose bringing the new forward. It aims not only to adapt to the new ways of the world market but also to those of the informational level, technological and planning of the ways to overpass the obstacles along the way. At the root of this technique it's not the material thing but the way of human thinking and the way that a situation can be re-designed to find a solution where problems appear.

Innovation doesn't necessarily mean the invention and discovery of new things but also finding methods to use the old things already known in a more efficient way that brings changes for a positive growth of the production of an enterprise.

Every aspect about this type of management is in an interdependence relation between all his elements of which the number is growing day by day. Not only the process, the way of thinking or the measures taken against the problems but also that to which this may lead or that can help in the future for the improvement of the process are all elements very important of this approach. Let's imagine for example where it all starts and finishes: the manufacturing process, the machineries involved, the people who handle it, the brain behind this operation, the people who will benefit from the end result and where the finite product will arrive; everything is interconnected and everything needs to be upgraded at the same time and in the same rhythm to save time and to avoid a failure in achieving the ultimate goal.

At all times the base of innovation is the management. This is what will lead to all the changes that will take place as a result of the application of the new ways of development and production of an enterprise. All this

changes are done in a systematic and repeated way; they are always in line with the latest trends and the latest discoveries in a field.

It's not enough only finding new solutions but they also need to be developed and especially applied to have the expected success. All this needs the creation of the environment needed for the development framework. The preparations and support for innovation are essential for the success in the nearby future but also for the long way and what's more important it's the foundation for the next steps.

Key elements like: the permanent communication with clients, the leadership, the participation of the personnel hired, the permanent communications with the parties involved, the handling of the information and the desire to improve are essential for achieving excellency.

Innovation must not be regarded as a process that takes place only in a division. It must develop uniformly and parallel on all levels. Like this we get to the idea of entrepreneurship. The entrepreneur is "a person who is willing and able to convert a new idea or invention into a successful innovation" (Schumpeter, 1934), having a key role in the managerial process. At the same time with entrepreneurship it developed also the idea of "corporate entrepreneurship" known also a "intra-entrepreneurship" which means "individuals or groups of individuals exploring high-risk and high-risk ideas within a stable and favorable environment of a powerful company " (Giffort & Elizabeth Pinchot, 1987). Within it it's encouraged the individual creativity characteristic of organisations opened to change. Some of the most famous are Google and Intel.

What is problematic it's the developing of the innovation strategy this being a rather

complex process which starts generally from: setting the innovation goals, identifying the focus area regarding the efforts for research and innovation and developing new ways of improvement of every area of innovation. For this we have techniques like SWOT analysis and Innovation Roadmap, which can be handy tools for the realization of strategies that will eventually lead to success.

The general strategy of an enterprise is the one that will contour its future regarding innovation and the way it's applied. Everything is based on finding ways of financing them that can be risk funds, national or European funds, loans or even money from its own production.

The main stages of the innovation plan are:

- The process of research, development and innovation, the flow of activities which means the total amount of activities that will lead to the main purpose; it has a three steps way: conception, development and implementation.
- The technology transfer which means shifting the discoveries and research from the academic area to the production field for obtaining new products and services
- The protection of the intellectual property which refers to the results obtained in the research and development that are used as intellectual property exploited in an organization's own interest
- The revaluation of the results from innovation which means putting on the market the outcome from the research and development area

Probably the most important subject in this type of managerial approach is the human factor and the human capital. It must be discovered the employee with the best

potential and desire to innovate and invest in him for the purpose of developing his creativity and innovative desire and to help promote entrepreneurship; it must be rewarded as to keep him inside the company and using his maximum potential for a long-time effect.

The organizations that have an initiative oriented towards innovation are those who think differently and develop a culture of innovation. They always adjust the programs and projects of development to the latest trends of the market in order to preserve their authenticity and they are those behind which you can find a strong leadership. One of the newest methods used is reengineering of the business processes which is going to be explained in the following lines.

Reengineering means letting go to the old methods of approaching the problems and finding new solutions starting from zero. This translates not to bringing small upgrades but to finding new ways to have a productive activity. It aims to profound transformations regarding costs, quality of services and the added value.

This method was founded by Hammer and Champy in 1993 for the adjustment of reality to the permanent changes of the world market meant to raise competitiveness.

Because of the fierce competition of the local business market but also because of the world market one enterprises are obliged to get in line with the new standards and to find new innovating solutions. Often reinvention is based on the drastic rethinking of business models. Like Richard Pascale used to say "Reinventing does not mean to change what it is, but to create what it is not".

The first step is usually the alignment of the whole activity to a strategy which encompasses the general objectives, the purpose and the mission of the enterprise.

Starting from the motives on which the organization functions, what lead to its birth and the way it functions we will get to the analysis of its premises and rules. This way we can see if they still stand, if they are erroneous and if they can still follow the same direction.

Reengineering meaning radical changes will start from premises and foundation zero, establishing what an organization should do and how to achieve it. The analysis of the situation it's not going to be built on what is old, but acts by removing all the procedures and existing structures. Actually we have here the reinvention of the enterprise by radicalism which will eventually lead to spectacular results and not to small improvements in different activity areas.

An important word that stands at the foundation of reengineering is the process. Generally speaking businessmen don't take into account precisely the way in which the activities take something at the moment of entering and what comes out in the end with a certain value for the client. For them the main thing are the activities, people and structures not giving the proper attention exactly to the manufacturing process.

Supporting the above affirmations is the following example of IBM Credit that has as an area of expertise the financing of computer, software and services selling provided by the IBM Corporation. By rethinking the whole process of giving loans, which meant the subsumption of the seven activities carried out by seven specialists to only one made by a generalist IBM Credit reduced the average speed of the loan requests from 56 hours to only 4 (so a reduction with almost 93%), making this change without raising the number of employees and obtaining

a raise of productivity multiplied with one hundred. Instead if they had tried to upgrade each and every activity of the process they would have obtained only a 9% reduction of the processing time and a raise in productivity of only 15%.

The enterprises that turn to reengineering are usually divided into three:

- o Those who want to function to full capacity but have an aggressive management and they want a positive evolution and to stay at a top level

- o Those who have a positive evolution but feel that in the nearby future is going to be an impasse and possible difficulties and are trying to prevent this

- o Those who are already in trouble and they have no other solution than radical change to eradicate problems

Because they are functioning based on the obsolete rules of the Adam Smith theory that said that industrial activity can be reduced to simple and fundamental operations organizations often get in the situation where reinvention is needed. This reinvention must be total and its foundation must be letting go to old ideas and ways of thinking as to align to the new requests.

The new reality doesn't allow anymore the using of old and inefficient ways but constrain to making bold moves like "everything or nothing" for the achieving of spectacular results. There are 3 major forces that push to this direction: change, competition and most important clients.

Because of the permanent change of the world market, competitiveness and the offers available have a continuous growth with an accelerated pace. At any time new services and products can be introduced that will lead

to innovation and which will also lead to a relatively short life to the present products.

Competition is the one that binds businesses to change and permanent evolution for the sake of keeping a top place on the market. If before the most accessible product and the better price was sold the most now things have changed. The market division in several areas with a basis of different competition (quality, price, assortment) led to the selling of the same product in different areas enhancing the difficulty of selling similar products.

The most important in this trio are the clients. It was observed a shift in the manufacturer-client relation meaning that, if before manufacturers were the one in charge at his moment client are those who decide what they want, how and when. This shifting was the one that brought major difficulties to the big businessmen on the market that were used to the mass production. Because of this factors at this moment a new business environment is being created in which stability, growth and mass production is being replaced with flexibility and fast answers to the client requests.

Enterprises are trying to minimize their losses and are trying to adapt by making simple changes like: replacing an area of activity with another one, merging with a stronger enterprise, changing the market, selling/buying of a division, without actually taking into account that a radical change is necessary. Failure actually relies on the mentality of the ones in charge with leading a company. They don't realize that people are the ones that create, provide and offer services, taking into account only the investments founds.

What we must understand is that change is obligatory and this starting from

the upper levels to the inferior ones. The current procedures don't even allow the acceptance of a suggestion from the inferior level maybe very productive for the company because of all the steps that they need to overpass and also because of the mentality that needs to be conquered until the idea is presented and finally accepted.

At this moment the organizations are functioning like a series of separated squares which subordinate and at the same time subordinates to others everyone with another specialty and unique role, interdependent but yet don't function like a continuous and unique process for the materialization of objectives.

This hierarchic structures were made in a time when there was a certain stability and predictability in the moves of the world and local market and when they weren't in a fast and continuous rhythm of growth and change that isn't valid anymore. They act like a bump on the road to innovation and solutions because they function like a protection system against change that leads to taking useless risks.

As we can see reengineering is not only necessary is mandatory for the enterprises that want to adapt and continue to evolve on the market at the current moment. The old ways of thinking, organization and leadership regarding production and service offering not only are they out of date but must be eradicated.

As a conclusion the managerial innovation and reengineering are two of the most important factors to take into account in the development of the organizations nowadays and their alignment to the present moment on the world market. They mean not only radical changes of thinking but also how old

methods are applied. Their complexity and the way of incorporating the technological process, the results from the research and development are, the development of the human factor and above all radically changing

the angle of approach of a problems, all of this is what makes them into a recipe for a successful recipe for integrating and preserving a top spot in the global economy.

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Management And Creativity: The Honda Case

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Abstract: Management has become a subject of major interest in different domains such as political science, history, psychology, sociology or business for centuries and led to numerous researches. As a concept, science, discipline, philosophy and practice, management aims at achieving both efficiency and effectiveness. To survive and prosper in today's highly competitive business world companies need to be managed in a creative way. The aims of the paper are to define the concepts of management and creativity, and to present the case of Honda, one of the most innovative companies around the world. The research is based on a case study.

Keywords: management, creativity, company, Honda

JEL Classification: M1

1. Introduction

Management constitutes one of the oldest concerns of people, organizations and societies because it has proved to be fundamental in the accomplishment of human goals (Hamel and Breen, 2007). Since the beginning of the 21st century management has remained a significant debated topic all over the world (de Holan and Mintzberg, 2004). However, the systematic exploration of management represents the product of the past century (Koontz, 1961; Sheldrake, 2003). It has become a subject of major interest in different domains such as political science, history, psychology, sociology or business for centuries and led to numerous researches. In this respect, theorists and researchers have tried to capture the essence of management without reaching a consensus on what constitutes management (Shafritz et al., 2016).

As a concept, science, discipline, philosophy and practice, management aims at achieving both efficiency and effectiveness. It provides the strategies that managers can pursue to obtain superior performances and, therefore, can explain the persistent growth and profitability obtained by companies. Prominent profitability and sustainable profitable growth are highly valued by shareholders, one of the main stakeholders of a company (Hill et al., 2015). Also, management is capable of creating a pleasant, motivating and flexible working environment, optimizing employees performances, exploiting the opportunities provided by the digital transformation of the business world and balancing stakeholder interests (Nicholson and Nairn, 2006; Dike et al., 2015; KPMG, 2016). All of these explain the spread and the application of management both as a term and a practice not only in business,

but also in public administration and non-governmental organizations (Engwall et al., 2016).

The new realities, specific to a volatile environment and disruptive world, call for strong, flexible and creative management. To survive and prosper in today's highly competitive business world companies need to be managed in a creative way (Henry, 2001). The continuous increase in the pace of change of the business environment imposes organizational change and, therefore, a shift towards mixing management with creativity within business organizations. Politicians, researchers and business leaders have understood that creativity helps companies to better respond to the challenges facing today's society and, therefore, is central to economic and business success (Heunks, 1998; World Economic Forum, 2016).

The aims of the paper are to define the concepts of management and creativity, and to present the case of Honda, one of the most innovative companies around the world. The research is based on a case study.

The structure of the paper comprises three sections. The next section presents the literature review. The third section displays the relationship between management and creativity at Honda Motor Company (HMC). The paper ends with conclusions.

2. Literature review

In attempting to deeply understand management, theoreticians have made numerous researches in the last century. The variety of theoretical approaches of management has produced a huge number of definitions. Taking into account that there is no generally accepted definition of management,

it can be considered as:

- “a socially valuable technical function, normally acting in the general interest of workers, employers, customers and citizens alike” (Alvesson and Willmott, 1992, p. 1).

- “the art of getting things done” (Eccles et al., 2003, p. 39).

- “a collection of activities involving planning, organising, motivating and controlling” (Cole, 2004, p. 7).

- “the process of working with people and resources to accomplish organizational goals” (Bateman and Snell, 2007, p. 16);

- “the activity of getting things done with the aid of people and other resources” (Boddy, 2008, p. 10);

- “the organisation and coordination of the activities of a business (or some other formal organisational setting) in order to achieve defined aims and objectives” (Combe, 2014, p. 5).

All these definitions reveal several features of the concept of management. First, management involves the deployment of

some specific activities such as organisation and coordination. Second, management relates to achieving organisational goals and objectives. Third, management implies the use of resources such as people and information. In this respect, management is interested in recruiting, attracting, motivating and exploiting human resources characterized by hard work, responsibility and creativity.

Since its emergence, the concept of creativity has been studied from different perspectives (e.g., psychology, business). However, creativity comprises at least four elements as follows:

- the creative process,
- the creative product/services,
- the creative person,
- the creative situation (MacKinnon,

1970).

There are three main types of creativity within organizations: individual creativity, group creativity, and organizational creativity (Table 1).

Table 1. Types of creativity within organizations

Individual creativity	a function of antecedent conditions (e.g., past reinforcement history, biographical variables), cognitive style and ability (e.g., divergent thinking, ideational fluency), personality factors (e.g., self-esteem, locus of control), relevant knowledge, motivation, social influences (e.g., social facilitation, social rewards), and contextual influences (e.g., physical environment, task and time constraints)
Group creativity	a function of individual creative behavior "inputs," the interaction of the individuals involved (e.g., group composition), group characteristics (e.g., norms, size, degree of cohesiveness), group processes (e.g., approaches to problem solving), and contextual influences (e.g., the larger organization, characteristics of group task)
Organizational creativity	a function of the creative outputs of its component groups and contextual influences (organizational culture, reward systems, resource constraints, the larger environment outside the system, and so on)

Table 1. Types of creativity within organizations

The concept of creativity has brought a lot of controversy regarding its meaning (Boden, 1994) as it involves every sense (Torrance, 1988). However, creativity can be defined as:

- „a function of three components: expertise, creative-thinking skills, and motivation” (Amabile, 1998, p. 18).

- „the ability to produce work that is both novel (i.e., original, unexpected) and appropriate (i.e., useful, adaptive concerning task constraints)” (Sternberg and Lubart, 1999, p. 3).

- “the development of original ideas that are useful or influential” (Paulus and Nijstad, 2003, p. 3).

- „the process through which individuals and groups arrive at ideas that are new and valued to those individuals, groups and others within their wider communities of practice” (Xu and Richards, 2007, p. 217).

- „the generation of a product that is judged to be novel and also to be appropriate, useful, or valuable by a suitably knowledgeable social group” (Sawyer, 2012, p. 8).

- „a vital form of human capital” (Runco, 2014, p. xi).

Thus, creativity proves to be a complex concept. It is linked with originality and novelty, and leads to value creation.

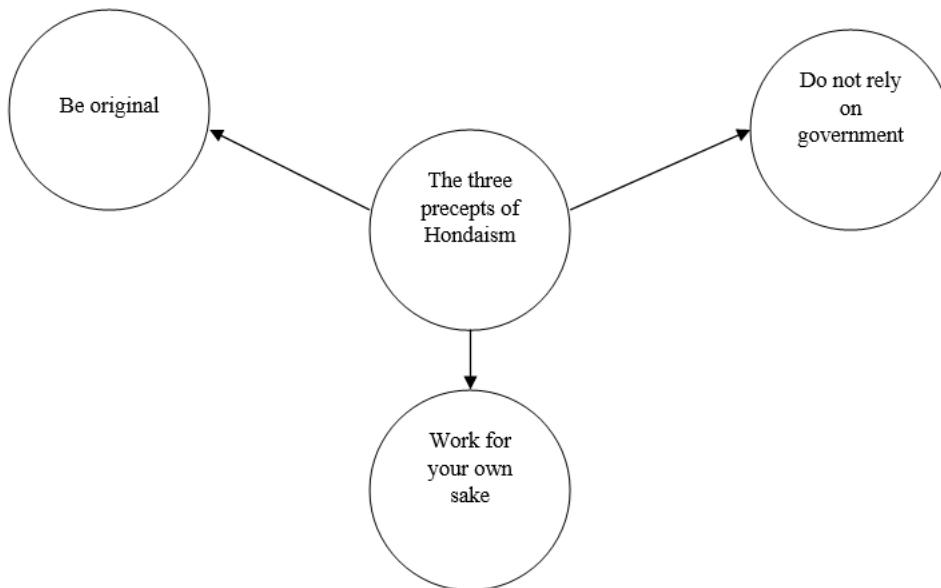
The relationship between management and creativity has been emphasized in the literature in the past decades (Henry, 2006; Bilton, 2007). By mixing management and creativity companies can obtain long-time corporate performance in an era of discontinuity. In this respect, creative management has become a powerful tool in order to achieve business success. Creative management is defined as “the study and practice of management, drawing on the theories of

creative processes and their application at individual, group, organizational and cultural levels” (Xu and Richards, 2007, p. 217) and “often entails a shift towards greater self-organization, seems to work best where social capital is plentiful, and can lead to new forms of relationship between workers, organization and the community” (Henry, 2001, p.ix). That is why top management is in charge of harnessing creativity by encouraging the continuous interaction among people from all departments and ensuring the flow of ideas (Davila et al., 2007).

3. Management and creativity at Honda

HMC was founded by Soichiro Honda (1906-1991). From his early childhood, Soichiro proved to be very interested in the mechanics of mobility and decided to build and invent machines. In spite of his large ego and ardent temperament, he was a brilliant mechanical genius and a creative entrepreneur. However, the Japanese company began to take the shape of a successful business organization when Soichiro hired Takeo Fujisawa (1910-1988) which brought financial and marketing knowledge. Soichiro personified a creative and self-confident man which considered the company as “a vehicle to give expression to his inventive abilities” whereas for Fujisawa “the engine innovation meant increased sales and easier access to financing” (Pascale, 1996, pp. 84-85). “Hondaism” was built on three precepts (Mito, 2012- Figure 1).

Figure 1. The three precepts of Hondaism



Soichiro's conviction was that the company belongs to its shareholders and employees (Sato, 2006). In fact, many former Honda employees became shareholders. This is why the managerial approach of Soichiro was flexible and the so-called "Honda Way", a go-it-alone attitude and a "philosophy of seeking out the toughest challenges and applying creativity, innovation and imagination to solve them" (Insley, 1989, p. 123), was seen as unorthodox and in opposition with the approach chosen by other automotive companies. He considered that ideas constitute the key to a company's success and, therefore, his business principles "foster continuous reinvention of product, people, and processes" (Rothfeder, 2015, p. 10) and emphasize:

- "individual responsibility over corporate mandates;
- simplicity over complexity;
- decision making based on

observed and verifiable facts, not theories or assumptions;

- minimalism over waste;
- a flat organisation over an exploding flow chart;
- autonomous and ad hoc design, development, and manufacturing teams that are nonetheless continuously accountable to one another;
- perpetual change;
- unyielding cynicism about what is believed to be the truth;
- unambiguous goals for employees and suppliers, and the company's active participation in helping them reach those metrics; and
- freely borrowing from the past as a bridge to what Honda calls innovative discontinuity in the present." (Rothfeder, 2015, p. 9)

Creativity is at the heart of Honda's management. This statement is emphasized by the following three managerial principles (Rothfeder, 2015):

1. Embrace paradox. Soichiro's unstructured management approach and style promoted the deployment of waigaya (unplanned meetings), real "laboratories" for exchanging ideas and producing innovation.

2. Real place, real part, real knowledge. At HMC, sangen shugi (going to the three realities/actualities before making a decision) is very important for management. The three realities are: gen-ba (the real spot), gen-butsu (the real part), and gen-jitsu (the real facts).

3. Respect individualism. When making hiring decision HMC chooses independent and creative people with an unconventional attitude.

In sum, Honda's management is connected with creativity. The business precepts

and the managerial philosophy highlight the key role creativity plays at HMC.

Conclusions

The last decades have witnessed the rapid development of the researches related to creativity. The paper provides the theoretical framework to better understand the concept of creativity in correlation with the concept of management. It shows that today's companies are mixing management and creativity in order to achieve business success.

Also, the paper presents the case of HMC and emphasizes the way the Japanese company understands the need of embedding creativity in its managerial philosophy and principles. In essence, Honda's successful and creative management owes a lot to its founder, Soichiro Honda.

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The changing nature of innovation-based social marketing programs - the case of health promotion programs.

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Abstract: Social marketing favoured, since its inception, the field of health promotion - designing programs to help change unhealthy behaviours was one of the primary drivers of this area of practice. On the other hand, the need to have a better-informed citizenry on medical and health-related issues was a constant requirement of the medical professional - better informed and knowledgeable people would more easily "adhere" to the social marketing programs. The health literacy imperative is today outpaced by the advance of the Internet-based technologies - Google health search solutions, Microsoft specific products targeting patients or IBM's Dr Watson suite. Based on this disrupting innovation which involves the realm of the patient-doctor relationship, how shall social marketing programs innovate?

Keywords: social marketing, health economics, behavioral economics, health literacy

JEL Classification: D91, I12, M31

Introduction

Social marketing it's neither new or old, or a magic bullet for all the problems societies faced today in changing an unhealthy or undesirable behaviour of the population and designing better ones. The advance of behavioural economics and the ubiquity of "nudge units" in many governmental agencies around the world, seems to complicate rather than simplify the operational procedures which shall be implemented by the states, with the advance of the trend to incorporate behavioral science insights into governmental public programs and drafting of public policies.

As it looks now, social marketing is a promising framework for planning and implementing social change related programs, far beyond social advertising, cause-related marketing, corporate cause promotions, philanthropy or community volunteering. For instance, in a social advertising approach, the main effort is directed towards the use of communication campaigns (usually on the media) and let the response, meaning the behaviors and attitudes changes, to "natural" social processes. In social marketing, a step-down communication method is implemented to foster a sustainable behavior change. Social marketing is about (a) influencing behaviors, (b) utilising a planning process that applies marketing principles and techniques to solve societal problems, (c) focusing on a defined target audience, and (d) delivering a benefit for society.

While addressing the health field, we shall move from today's overused approach of health promotions, towards a more broad view of a targeted action on the determinants

of health, within the definitions and policies drafted by the World Health Organization. In acting on the social determinants of health social marketing could make a big difference.

Under the logic of an information driven approach, social marketing and health promotion are nowadays heavily influenced by the advance of Internet based technologies, services and products, as well as the integration of the new models on the existing operational procedures.

2. Social marketing models

Introduced in 1971 by Gerald Zaltman and Philip Kotler to describe "the use of marketing principles and techniques to advance social causes, ideas or behaviors", social marketing has been defined as "the design, implementation, and control of programs calculated to influence the acceptability of social ideas and to involve considerations of product planning, pricing, communication, distribution, and marketing research" (Zaltman & Kotler, 1971). The practice and the theory of the field evolved continuously during the last decades. In today's definitions, it is understood as a "process that applies marketing principles and techniques to create, communicate, and deliver value to influence target audience behaviors that benefit society as well as the target audience" (Kotler & Lee, 2008, p. 7). It's a planned effort to help out people to make better decisions for their life on health, security, relationship with authorities and other individual behaviours which could and would affect the society as a whole. Trying to articulate a more compelling and coherent theoretical framework for the practicing and academics

alike, the social marketing professional associations (The International Social Marketing Association, European Social Marketing Association, Australian Association of Social Marketing) came to consensus on defining social marketing which now “seeks to develop and integrate marketing concepts with other approaches to influence behaviors that benefit individuals and communities for the greater social good” through “a systematic approach to improve personal and social well-being through the ethical application of evidence-based marketing principles and techniques to facilitate changes in behaviour, organizational practices and policies” (The International Social Marketing Association). In spite of the fact that wording in the definitions of social marketing still varies, as we have had noticed, the essence of social marketing remains unchanged, namely influencing behaviors for the good of society as well as the selected audiences, through the use of principles and techniques developed by commercial marketing.

Focusing on influencing their target audience toward usually agreed upon four behavioral changes - (a) to accept a new behavior, (b) to reject a potential undesirable one, (c) to modify a current behavior or (d) to abandon an old and unwanted one, social marketing has got a lot of visibility in the health communication campaigns and, lately, in designing and implementing new health public policies (for instance in USA, UK, Canada, Australia and many, many other countries). As emphasized before, using the reference of commercial marketers who sell goods and services, one can stress the focus of social marketers on “selling behaviors” on already mentioned four major areas: health

promotion, injury prevention, environmental protection, and community mobilization (Kotler & Lee, 2008, pp.18– 21).

To evolve social marketing “to the ‘next level’ of influence and impact” Andreasen outlined two different lines of effort for social marketing: a vertical perspective, and the “traditional” horizontal one. The first one is necessary to be employed to understand where social problems come from and how they are addressed by the society, while the horizontal perspective will consider the range of players who need to be involved and the type and magnitude behavioral changes that have to happen for the change process to address the above mention social problems (Andreasen, 2005, pp. 11-16). This model was developed afterwards in a different “perspective approach” - downstream efforts (for the vertical view), respectively upstream efforts (for the horizontal perspective) and, between these two perspectives, a proposed third dimension - the midstream efforts, understood as a directed effort to reach “those with the ability to influence others in the target markets’ community” (Cheng, Kotler & Lee, 2011, pp. 12-15).

One of the social marketing mantras is that the primary beneficiary of the social marketing program is the society as a whole, and, because the behavior change is typically voluntary, social marketing looks for “rewarding good behaviors” rather than “punishing bad ones”. Of course, the principles and techniques of influence might be the same, but the difference is in the outcome: while in commercial sector the “primary gain is financial gain”, in social marketing “the main benefit is societal gain” as it is communicating

in all social marketing venues. Despite these differences, there are a lot of common dimensions of social marketing and commercial marketing: (a) custom orientation is paramount for both of them; (b) the exchange theory is extensively applied (i.e. the audience shall perceive the proposed benefits as equal or exceed the perceived associated costs with the new behavior); (c) heavily supported by target segmentation and thorough marketing research through the entire program; (d) all 4Ps from standard marketing theory are considered, based on the logic of the “integrated approach” to name only the most visible dimensions.

One of the most noticeable change in social marketing during the last decade has been the “migration of social marketing from its initial close identification with the marketing of products involved in social change to a broader conception”, targeting relationships and social institutional design within three different societal level of intervention (Andreasen, 2002, pp. 4-7) to tackle social problems: (1) at the individual level (based on the assumption that it is people who ultimately must behave differently), (2) at the whole community level (for significant social changes the entire community has been the focus of interventions through norms, values, interpersonal influence and community institutions), and (3) at the social structure level (laws, institutions, technology, public policies). This is the subject of a fruitful debate within the social marketing community, and the developments shall influence the magnitude of the employment of the model in future health promotion programs.

3. Social marketing on health promotion

Within the intervention area, Kotler and Roberto (as cited in Andreasen 1994, p. 20) had proposed different types of change strategies: social marketing, technology, economics, politics & law, and education, while other scholars had reduced the number of alternatives to only three different approaches such as education, marketing, and the law (Rothschild, 1999). As an intervention & change social strategies, there are some widely used models to understand and operationalize the response: (1) the much-used stages of change model (Prochaska & DiClemente, 1983), focusing on tailoring interventions to the stage the target audience is in along the roadmap of behavior change, (2) the behavioral reinforcement theory (Bickel & Vuchinich, 2000; Rothschild 1999), (3) the social learning theory (Bandura, 1997; Baranowski, 1990). In many projects, we have witnessed the temptation to favour the communication approach, the strategic communication ones usually through a strong advertising support to accomplish social objectives. It is now time to move one and to go one step forward.

The Andreasen approach on social marketing which “is not a theory or a unique set of techniques but a process for developing social change programs that is modeled on methods used in private sector marketing” (Andreasen, 2002, p. 8) has the potential to re-orient the effort from increasing the “acceptability of a social idea” towards a more practical and easy to evaluate one of an individual (community?) behavior change.

In deciding if social marketing is suitable to be used in today's health promotion programs, we might use the path of approach designed by Andreasen (Andreasen, 2002, p. 8), for which social marketing programs can be applied "in any situation in which a socially critical individual behavior needs to be addressed", but equally important, it might be used also to bringing about behavior changes for other important players whose actions, collectively, could make the interventions successful. And these vital players might be the media, legislators, policymakers, politicians, NGO's.

As a typical checklist used in the field by the social marketing practitioners, we can operationalize the proposed Kotler and Lee's steps in planning, in 10 steps a social marketing campaign (Kotler & Lee, 2008, p. 34-43): 1) Define the Problem, Purpose, and Focus; 2) Conduct a Situation Analysis; 3) Select Target Audiences; 4) Set Marketing Objectives and Goals (a behavior objective, a knowledge goal, a belief objective); 5) Identify Factors Influencing Behavior Adoption (barriers, benefits, competitors, and the influencers); 6) Craft a Positioning Statement (what the target audience is supposed to feel and think about the targeted behavior and its related benefits); 7) Develop Marketing Mix Strategies: The 4Ps (product - A core product, actual product, augmented product - price, place, and promotion); 8) Outline a Plan for Monitoring and Evaluation (output measures for program activities; outcome measures for target audience responses and changes in knowledge, beliefs, and behavior; and impact measures for contributions to the plan purposes); 9) Establish Budgets and Find Funding Sources; 10) Complete

the Plan for Campaign Implementation and Management.

4. Web-based innovative approaches to health

There is a "tsunami" of changes for the public and the medical professionals alike, due to the advance of the Internet based solutions in our lives. Internet of Things, with wearables and Apps, started already to dramatically change the way to monitor our health status, to disseminate and interpret the information as well as changing how we communicate with doctors, receiving and transmitting now a continuous feedback. We might find ourselves living in a state of almost constant awareness of our health status, with a strong belief that a medical professional is fully aware, around the clock, of this status.

But the access to the medical information online has a cost, and this is to be paid by patients and the health industry alike. A readily available medical information is under the scrutiny of health professionals, and different health organizations had already tried for years to set up a standard for the quality of the information generated on the net. The Health On the Net Foundation proposed, in 1996, the HONcode (<http://www.hon.ch/HONcode/Patients/Conduct.html>), a "The Code of Conduct for Medical Websites", initially with 6 conduct criteria, expanded afterwards to eight: (1) authoritative (shall indicate the qualifications of the authors posting the content); (2) complementarity (the information on the platforms should support, and not replace the doctor-patient relationship); (3) privacy (the personal data

submitted has to be protected); (4) attribution (the source of the information has to be clearly indicated, as well as the date when the respective pages were used); (5) justifiability (sites must provide evidence of the obtained benefits and performance of the medicine or procedures); (6) transparency (accurate and detailed contact information); (7) financial disclosure (a precise identification of funding sources of the content on the site); (8) advertising policy (a clear cut between paid/advertised content and editorial content). In 20 years of continuous activity, the project was developed further with MedHunt (a specialized medical search engine), HONselect (for certified HONcod medical content) and has been translated and now is in use in 35 different languages around the globe. On the other side, the health professional associations, the academia and the suppliers of medical products and services tried to build up tools to help patients better navigate through the online medical information (Dalmer, 2017). A new avenue of research was developed, the so-called health information-seeking behavior - HISB, trying to understand how the patients acquire medical information, and, equally important, how they use this info for their benefit (Cutilli, 2010; Lambert & Loiselle, 2007).

Medical information portals (WebMD Healthline, Healio, HealthBase or MEDgle for instance) are used to better tune-in the medical content and to provide quality and accurate details for the patients, with the help of medical professionals, academia and practitioners alike (Nguyen, Burstein, Fisher, 2015). WebMD is one of the main players on this field, although a significant percent of health-related searches on the net are made using

general search engines. Google was one of the forerunners of this approach, using Google Search to adapt the search results on individual symptoms and to give "an overview description along with information on self-treatment options and what might warrant a doctor's visit" and validating the medical information by "checking them against high-quality medical information we've collected from doctors" using Google Knowledge Graph, in partnership with Harvard Medical School and Mayo Clinic (Veronica Pinchin, 2016). Back in 2007, Google and Microsoft started to work more focused on improving the overall quality of health related information on the net, because we are now in an era of "the mass consumerization of health information" with the need for patients to have control of their health information. Patients shall be "the stewards of their information" with the vision of the becoming a "knowledge navigator" and medical services will soon have to reorganize as "a much more collaborative process between patients and doctors", because "patients should be in charge of their health information, and they should be able to grant their health care providers, family members, or whomever they choose, access to this information" (Lohr, 2007). So, these projects are targeted to both searchings for medical information and using the individual medical records by people. Google flu trends project, started in 2008 and stopped in 2014 (Ginsberg et al., 2009), or the recent project on allergy-related mobile searches (Gesenhues, 2017) developed together with The Weather Channel (to analyze information on local pollen levels and to offer pollen count alerts to individuals) unveiled the power of Big Data in orienting the public policy interventions in public health.

Microsoft has to succeed, using the internet search results, to early detect the cancer, the pancreatic cancer, which in turn, could prolong life of the patients, increasing the “five-year survival rate of pancreatic patients to 5 to 7 percent, from just 3 percent” (Paparrizos, White & Horvitz, 2016). Other research projects found hidden drug-drug interactions, the so-called “adverse drug events” way before the authorities of US Food and Drug Administration (Tatonetti, Fernald, Altman, 2012), which decreases the possible negative impact on the health of the patients using the respective drugs.

How can we make better use of all these developments? One interesting line of thought was opened by Quelch and Jocz (Quelch & Jocz, 2008, pp. 34-42) when discussed about the characteristics that marketing and democracy do share, because in both fields we have: (a) exchange of value (goods, services, promises); (b) consumption of goods and services; (c) choice has to be made in all decisions; (d) free flow of information is essential; (e) active engagement of a majority of individuals; (f) inclusion of as many people as possible. In this understanding, starting from the observation that billions of nowadays (marketing) transactions support the development of the “social glue” that holds societies together, it seems that the core benefits of marketing/social marketing will also be supporting the requirements for any democracy - engagement, choice, inclusion,

information, and, furthermore, sound health public policies.

5. Conclusion

Social marketing will and shall remain a valuable tool in, health promotion field, but the approach has to be aligned with the advent of social media and Internet based technologies for health. We are witnessing dramatic changes in the patients’ relationship with medical information - both private and public, as well as a new kind of the Internet-mediated relationship between the patients and the doctors. The information asymmetry will continue to profoundly influence the design of the health markets, despite the increased volume of readily available medical information on the net. But in using this information, the patients and their doctors will become more and more partners, with the doctors guiding the patients on using medical information on the net. Thus, the relationship will be enriched, but at the same time will be more demanding for the medical professionals. In this new context, social marketing has to broaden its perspective, including the reality of this new partnership and focusing also on the social determinants of health to start the targeted behavioural change at the individual level. Social marketing has to plan for behavioral changes for many important players (the media, legislators, policy-makers, politicians, NGO’s) whose actions, collectively, would make the interventions successful.

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The combinatorial innovation perspectives on designing social marketing programs.

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Abstract: Hal Varian's concept of "combinatorial innovation" underlined the ascend of a new period of a tremendous burst of innovation. Now we can quickly and conveniently combine different Internet-based components, which are all bits, to create entirely new products and services, available for everyone. The mushrooming of nudging logic based initiatives all over the world, open the room for a new discussion - to what extent the intended target audiences of nudging initiatives will participate in co-generating of the new policies and campaigns, based on the employment of the combinatorial innovation?

Keywords: innovation, social marketing, behavioural economics

JEL Classification: I18, M31, O 30

1. Introduction to innovation theoretical perspectives

Since the concepts of disruptive and sustaining innovations of Christensen (Christensen, 1997) made their way into the models and policies both public and private during the last decade, different new approaches emerged. We do have now reliable benchmarks in analyzing the innovation field, in understanding the global trends or the national ones, financed by NGO's, IO's or national agencies. Understanding how innovation might become dominant in certain markets or contexts, it's important, but the focus seems to have moved towards the outcome of innovations, on their impact on growth and the general wealth of the societies.

Christensen and van Bever analyzed different types of innovation, and proposed three main categories (Christensen & van Bever, 2015, pp. 59-102): (1) performance-improving innovations - which replace old products with new and better models; (2) efficiency innovations - support companies to make and sell much mature goods or services to the same customers base but at lower prices (also labeled as called "low-end disruptions"); (3) market-creating innovations - these innovations transform complicated or costly products, and, by this dramatic change, they can create an entirely new class of consumers or even a new market. Based on the information technologies, all these three types of innovation will advance, with a special mention on the last one, due to the magnitude of the evolution envisaged. Social marketing field might be one of the primary beneficiaries of these developments.

In almost all regards, despite the tremendous changes in our societies, we might stick to Drucker's definition of innovation, as "the effort to create purposeful, focused change in an enterprise's economic or social potential" (Drucker, 2002). Scholars are stressing the idea that innovation and value creations started to change dramatically by the imperatives of: (1) value will increasingly be co-created with consumers; (b) no single company has the knowledge, skills, and of course resources needed to co-create value with consumer; (c) the emerging markets are a tremendous source of innovation (Prahalad & Krishnan, 2008, p. 10). This new perspective understood value as being based on "unique, personalized experiences for consumers" because the focus shall be on the centrality of the individual, with one customer experience at a time, while acknowledging that there are no companies big enough to "satisfy the experiences of one consumer at a time" thus the focus will shift from ownership of resources to access to resources. Based on this, three different trends emerge: (1) convergence of ubiquitous connectivity in voice, data, and video; (2) universal access to computing at continually decreasing costs of it; (3) rapid and vibrant experimentation in new platforms for collaboration that span both personal (social) and professional lives creating a new ecosystem facilitating the access to global resources and new co-created experiences ((Prahalad & Krishnan, 2008, p. 253).

The Global Innovation Index (Dutta, Lanvin & Wunsch-Vincent, 2017) provides metrics about the innovation performance of 127 countries, using 81 indicators. Mapping

out innovation evolved, from studies of innovation policy analyzing how nations' policies affect innovation and wealth in their own country, towards studies focusing on factors reflecting the extent to which their approaches (such as economic and trade policies) contribute to and also detract from innovation globally. It's an interesting new perspective, and now we can discuss contributors and detractors in innovation field. The last report (Ezel, Nager, & Atkinson, 2016) assessing 27 factors (eight categories - Adam Smithian, Advanced Asian Tiger, European Union (EU) Continentalist, EU Up and Comer, Innovation Follower, Innovation Mercantilist, Schumpeterian, and Traditional Mercantilist) for a total of 56 countries (comprising 90 percent of the global economy) finds that, "on a per-capita basis, the nations doing the most for global innovation (a combination of more effort on policies that support innovation and less on policies that harm it) are Finland, Sweden, and the United Kingdom. In contrast, India, Indonesia, and Argentina scored the lowest overall". The Worst Innovation Mercantilist Policies of 2015 were Canada, China, India, Indonesia, Nigeria, Russia, Turkey (The Worst Innovation Mercantilist Policies of 2015).

2. The emergence of the new models

Many countries started to use Big Data to map the individual and social behaviour of their citizens better, thus tailoring more efficient their available resources to address the most urgent needs. Data for Development (D4D) it's this kind of initiative, a collaborative effort of dozens of organizations from around the world reporting the results from their analysis of cell phone data.

Understanding of human mobility patterns during an epidemic outbreak might be one of the keys to cease the epidemic. New types of continuous behaviour-sensing technologies available now to the population across the world are becoming a real "nervous system", an extended one, based on which health forums and digital data commons are opening up new opportunities for the medical care services. This information flow, together with the individual electronic medical records, databases of genomic information, or 24/7 access to the medical expertise might dramatically improve our understanding of the dynamics of human health. Moreover, based on this knowledge, we will have new opportunities and improved methods for encouraging healthy behaviour.

Different national projects shed light on alternative uses of the power of Big Data on the fabric of the social structures and people's lives. An interesting development it is China's proposals for a so-called "social credit system", an endeavour aimed to "assess citizens' behaviour over a totality of commercial and social activities, creating an uber-scoring system. When completed (by 2020 shall be mandatory) the model could encompass everything from a person's chat-room comments to their performance at work, while the score could be used to determine eligibility for jobs, mortgages, and social services" (Schiller, 2016). While the planning document was drafted and publicized on June 14th, 2014 (State Council Notice concerning Issuance of the Planning Outline for the Construction of a Social Credit System 2014-2020, GF No. (2014)21) the take-off was in 2016-2017, with a focus of the project on the "sincerity construction" in different areas: (a)

accelerating the construction of government affairs sincerity; (b) genuinely move the construction of commercial sincerity forward; (c) comprehensively advance the construction of social sincerity; (d) construction of judicial credibility; (e) strengthen the construction of sincerity education and a sincerity culture (Creemers, 2014). This “construction of credibility” will allow authorities to oversee and softly regulate the peoples’ life across more than 30 different areas, from energy saving or content consumption to advertising and job seeking, opening up the possibility of punishing bad behaviour (by restricting access to social housing or visas for travelling abroad).

The system is planned and overseen by the State Council. By using the social media logic, the state would make it possible for other people to regulate the “bad” or “undesired” behaviour while it will draft, promote and maintain the desired behaviour for the whole populace in all sequences of private life, because “all the individuals in the society are encouraged to report dishonest behaviors, and any violation of the rules should be recorded in the person’s credit record”. On June 2016 The State Council issued new guidelines to establish a better social credit system, proposing that “people with good credit history can enjoy certain services that are more time efficient” with “public resources and services will also be first offered to market entities or individuals with good credit” (State Council releases guidelines on establishing personal credit system, 2016). In a more detailed approach one had to notice that punitive measures will be taken against those individuals with small credit, targeting mainly three categories of behaviors: (a) those that endanger people’s health and

safety; (b) damaging (severely) market order and social order; (c) negligence to one’s obligations. Due to concerns about the potential for conflicts of interest of leading participants in the monitoring activities (The People’s Bank of China granted eight licences to companies such as Tencent and Alibaba, the biggest internet conglomerates in China, to Ping An Insurance, one of China’s largest insurers) the process was delayed, because many of the companies implementing this system also operate their e-commerce and online financing platforms and are reluctant to share data with competing platforms for a supra-ordinate goal (Hornby, 2017).

Japan is a pioneer in what is called Society 5.0., a society development’ concept presented extensively at CeBIT 2017 in Germany (the land of Industrie 4.0) but launched in 2016. This concept aims to tackle several challenges faced by the Japanese society, going beyond the over-discussed digitalization of the economy “towards the digitalization across all levels of the Japanese society and the (digital) transformation of society itself” (From Industry 4.0 to Society 5.0: the big societal transformation plan of Japan). This super-smart society will need the full use of the Internet of Things (IoT), AI (Artificial Intelligence), cyber-physical systems, VR/AR (Virtual Reality/Artificial Reality), Big Data (analytics). The idea behind is to advance the digitalization and transformation dimension, done on the level of individual organizations and some disparate parts of society to a full national transformational strategy, encompassing all levels, organizations and even social fabric, supported by dramatic changes in policy and even at philosophy level. Keidanren (Japan Business

Federation) published in 2016 a vision paper - Toward realization of the new economy and society. Reform of the economy and society by the deepening of "Society 5.0" - depicting the way ahead. The primary goal is to "aim at the new economy and society which focuses on individuals", by implementing reforms on (a) individuals (increase the power of people); (b) companies (new values by promoting innovation and globalization); (c) Solving social issues (create a better future). Strategy planned now is to make the best use of (1) creative capability of "disruptive innovation" and "innovation based on social issues", and (2) enhance utilization and importance of the "invisible manufacturing" (software) to support the objectives (Toward realization of the new economy and society. Reform of the economy and society by the deepening of "Society 5.0"). This ambitious advance on using the information technology - the IoT, AI, VR/AR and Big Data into the very fabric of the society, within the relationship intimate development has the potential to disrupt and dramatically change the societies as we know today.

3. Health and the diffusion of the innovation in health industry

In promoting health using social marketing models, the path seems to follow Rogers' approach on the diffusion of innovation, starting with the underlined similarities between diffusion of innovation and persuasion (Rogers, 1983, pp. 10-23), meaning: (a) persuasion and diffusion are seen as a linear and thus unidirectional communication activity (b) persuasion and diffusion are performed as a one-to-many communication type activity; (c) professional and academics

studying persuasion and diffusion are focused on action-centered and issue-centered communication activities; (d) persuasion and diffusion researchers often support the view that is more important to change attitudes rather than behavior, thus being more interested in crafting the individual decision to use and implement a new idea rather than the actual implementation itself, with the distinction between centralized and decentralized diffusion systems.

In this light, innovation is understood as an "idea, practice, or object that is perceived as new by an individual or another unit of adoption" while the information exchange among participants in a communication process in this kind of environment is becoming paramount for the diffusion of innovation. In this extensive communication processes, the information about innovations is often "sought after from near-peers", thus information exchange about a new idea will occur "through a convergence process involving interpersonal networks" (Rogers, 1983, pp. 23-38). That's exactly why the diffusion of innovations is primary a social process in which information possessed and processed at the individual level about a new idea is communicated through the network because the newness of the notion in the content of the respective communication gives to the diffusion process its special character. Rogers conceptualize the diffusion and adoption of innovations in "terms of a framework based on information and uncertainty" because, due to the invention and subsequent adoption of the ideas usually, social change occurs, which might alter the function or even the structure of a social system. Diffusion is understood in this model (Rogers, 1983, p. 38)

as a process by which (a) an innovation (b) is communicated through particular channels (3) over a period (4) among the members of a specific social system. From an analytic perspective, we shall focus on the four elements of the process: innovation, communication channels, time and the social system itself.

For the health system, due to the increased burden on the national budgets and the demographic evolution during the last few decades, a comprehensive approach to map innovation and the diffusion of the innovation in this area was developed. One of the main projects is the Global Diffusion of Healthcare Innovation project, prepared by the Institute of Global Health Innovation (IGHI), Imperial College London, aiming to “to deepen the understanding of the factors that can facilitate the rapid adoption and diffusion of innovations across health systems” (Harris, Bhatti et al., 2016, p. 12).

In researching the diffusion of innovation, the focus was oriented towards finding effective ways to “push” as early as possible innovation into practice, i.e. on the supply side of innovation. Less research was done on the “pull” side for innovation, and this is, at least for the health field, consistently demand-driven (Priem, Li & Carr, 2012; Di Stefano, Gambardella & Verona, 2012). How health organisations and institutional authorities look after innovative solutions, where do they scrutinize for, it’s a fundamental issue.

A usual perspective adopted in the health area is to favour a top-down approach to change, while a grassroots innovation, a bottom-up innovation approach is not so common, although might offer a

complementary perspective. In the UK for instance, the National Health Service (NHS) launches in 2013 an interesting initiative - NHS Change Day, encouraging staff to submit “pledges” for change in the (health) system. They have asked 1.3 million people who were engaged with the NHS to do this and, over three months, almost 189.000 pledges were recorded (Harris, Bhatti et al., 2016, p. 13).

The distinction between open innovation and closed innovation is also significant in the mindset of the health professionals and researchers. Traditionally, it was assumed that only professionally qualified workers in the health area would have enough expertise to ignite, develop and implement innovation, the control of creation and management of new ideas being paramount (Bullinger, Rass et al., 2012). Nowadays it is common to turn outside the organization or the health field for new ideas, inspiration, or lower costs of R&D outcomes, relying also on the “different” expertise of other stakeholders - customers, suppliers, collaborators and even competitors (Von Hippel, 2009), with many open innovation platforms helping innovators to engage with a broad range of organizations and stakeholders. In UK for instance, only a small proportion of new ideas comes from other countries, being also restricted to healthcare field, while in Brazil the health industry is sourcing ideas from a wide range of sources (colleagues and patients alike, both locally and country-wide) looking at advanced countries as sources of innovation (Harris, Bhatti et al., 2016, pp. 69-77). India is using conferences and social media as important sources of new ideas for health area while valuing High-income countries and

Middle-income countries for inputs on innovation. Satell underlined the value of open innovation because “it often helps to expand skill domains beyond specialists in a single field” when you need a different approach to solve a major problem, in this context innovation being seen, “at its core, about solving problems” (Satell, 2017), and proposed four different dimensions of analysis: (1) sustaining innovation (getting better at what you’re already doing); (2) breakthrough innovation (exploring unconventional skill domains, using open innovation); (3) disruptive innovation (when the basis of competition changes you have to innovate your business model and not doing what was effective at that very moment); (4) basic research (pathbreaking innovations usually needs to be refined, updated and developed further).

In the same time, we are witnessing an interesting process of reverse innovation in health care, which occurs when “models of care, technologies, procedures and products, come from resource-poor contexts, and are implemented in high-income country health systems” (Harris, Bhatti et al., 2016, p. 15), developments around improved surgical procedures being well known (Abeygunasekera, 2004).

The study “From Innovation to Transformation” (realized in 2011 by Institute of Global Health Innovation) had identified three levels of influence and influencers (Harris, Bhatti et al., 2016, p. 61) of the diffusion of healthcare innovation: (a) healthcare systems - in charge of setting the broad context (shall include the economic, political, legal and regulatory environment, the size and structure of health systems); (b) enablers

of innovation (with projects initiated through corporate or government action); (c) front-line behaviors (actions, beliefs and practices of policymakers, healthcare organizations and professionals delivering healthcare and directly interacting with consumers at the point-of-care).

4. Combinatorial innovation and social marketing campaigns - perspectives on the health area

One of the most straightforward definitions of social marketing was created by Andreasen in 2011, stating that “social marketing is the application of commercial marketing concepts and tools to influence the voluntary behaviour of target audiences to improve their lives or the society of which they are a part (Andreasen, 2011). Due to the development in the evolution of mass-communication theories, followed by the advance of information technologies, social marketing has been moved from its “initial close identification with the marketing of products involved in social change to a broader conception” of influencing and changing social realities (Andreasen, 2002, pp. 4-13). The process encompass three different societal level of intervention to tackle social problems: at the individual level (based on the assumption that it is people who ultimately must behave differently), at the whole community level (for major social changes the entire community has been the to in the focus of interventions through norms, values, interpersonal influence and community institutions), at the social structure level (laws, institutions, technology, public policies). By and large, social marketing is about (a) influencing

behaviours, (b) utilizing a systematic planning process that applies marketing principles and techniques, (c) focusing on priority target audience segments, and (d) delivering a positive benefit for society.

In intervention approaches, most programs rely upon consistent information campaigns (McKenzie-Mohr, 2011, loc 226), based on one of two perspectives regarding behavior changing: (a) attitude-behavior approach (if we increase public knowledge about an issue and promote attitudes supportive of the desired activity these will change the targeted behavior) and (b) the economic self-interest approach (individuals always systematically evaluate choices, and act in accordance with their economic self-interest).

When planning for a change in population's behaviour, the standard approach in the industry is based on the economies of scale logic, which will assume that the cost for reaching a person with a certain message is far less than, for instance, counselling or a mandatory annual health check visit to the doctor. On the other hand, some results of the past communication campaigns with the 5 percentage points of the average health campaigns effects on behaviour in certain communities, with slightly better results for nutrition campaign for fruit and vegetable consumption, or fat intake are not a solid ground either (Snyder, 2007).

Nudges are small interventions designed to "orient" people in particular directions but, at the same time, giving them the full liberty to go their way (Thaler & Sunstein, 2008). In this understanding, the reminder or a warning might be a nudge integrating all

suggested options in a choice architecture. In behavioural science the standard distinctions are made between System 1 - fast, intuitive, automatic, and System 2 - slow, deliberative, rational (Kahneman, 2011). The "libertarian paternalism" concept is used in relationship with nudges, being understood as an attempt to use choice architecture logic to influence choosers in making decisions that will promote their welfare, as judged by themselves and not by choice architects, avoiding coercion or material incentives pointing mainly on means, not on people's ends. On the other hand, based on the research of behavioural economics, a growing field of behavioural public choice analysis underline the issue of official error, because the officials might, for instance, lack necessary information, have their interests are at stake or experience behavioural biases (optimistic biases, ambiguity, availability bias, confirmation bias and so on).

Hal Varian, Google's chief economist back in 2009, coined the term "combinatorial innovation" to describe the reality of combining Internet components - software, protocols, languages, and capabilities "in ways that create entirely new innovations". The big difference from previous eras is that "component parts are all bits. That means you never run out of them. You can reproduce them, you can duplicate them, you can spread them around the world, and you can have thousands and tens of thousands of innovators combining or recombining the same component parts to create new innovation" at the same time, in various locations (Hal Varian). In today's world the scarce resource it's attention, and the ability to capture someone's attention at the right time would be the most valuable asset.

Using the Christensen concept' of disruptive innovation when analysing social marketing field, we have noticed that the basis of the competition slightly changed during the last decade, due to technological shifts influencing the individual content consumption. So, if we are trying only to find more efficient ways to deliver messages towards the intended target audiences, based on the assumption that they need more information, we will fail. We have to innovate the social marketing business model to succeed.

Social marketing has to acknowledge this new reality - the customers/consumers want to co-create the new service or want to be part of the design of the influence process to change a new behaviour or attitude.

In today's logic, what we are doing in social marketing is to single out the problem, find out the best mix of intervention matrix - legislation + persuasive actions - and implement it, assuming that the targeted individuals, communities will gladly participate because this will be in their best interest, or, moreover, in the communities' interest. They have to be part of creating the content, as well as in designing new public policies or legislation pieces to help change the behaviours. Following the logic of combinatorial innovation, acknowledging that the resource base will expand to an ecosystem of individuals, companies and institutions, we have to take advantage of this new reality and not to build up an "expertise owner" approach.

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