

University of Bucharest


Manager

No. 32 ~ 2020

Faculty of Business and Administration

- new series -

FOUNDERS

VIOREL CORNESCU, *University of Bucharest, Romania*

PAUL MARINESCU, *University of Bucharest, Romania*

EDITOR-IN-CHIEF

PAUL MARINESCU, *University of Bucharest, Romania*

DEPUTY CHIEF EDITOR

IONUȚ CONSTANTIN, *University of Bucharest, Romania*

MANAGING EDITOR

SORIN-GEORGE TOMA, *University of Bucharest, Romania*

EDITORS

OANA HUDEA, *University of Bucharest, Romania*
CAMELIA SURUGIU, *University of Bucharest, Romania*

COSMIN OLTEANU, *University of Bucharest, Romania*

CĂTĂLIN GRĂDINARU, *University of Bucharest, Romania*

COSMIN IMBRISCA, *University of Bucharest, Romania*

EDITORIAL ADVISORY BOARD

RUTH ALAS, *Estonian Business School, Estonia*
LUCIAN - LIVIU ALBU, *Institute for Economic Forecasting, Romanian Academy*

AMOS AVNY, *Omnidev International, Israel*
MARIUSZ BEDNAREU, *Akademia Podlaska w Siedlcach, Poland*

JOHN BRINKMAN, *Liverpool Hope University, United Kingdom*

AMNON CASPI, *Bar Ilan University, Israel*
MĂRIOARA IORDAN, *Institute for Economic Forecasting, Romanian Academy*

EDITORIAL OFFICE

MICHAEL-GEORGE CONSTANTIN, *University of Bucharest*

CRISTINA VEITH, *Academy of Economic Studies*

FLORENTIN MIULESCU, *University of Bucharest*

EDITORIAL ADVISORY BOARD

KATSUTOSHI KUROKAWA, *Okayama University Japan, Japan*

VIDOSAV MAJSTOROVICH, *University of Belgrade, Serbia*

SHINJI NARUO, *Japan International Cooperation Agency, Japan*

MYRVETE PANTINA, *University of Prishtina, Kosovo*

MASAHIRO TAGUCHI, *Okayama University Japan, Japan*

BOGUSTAWA TERESA STANCZENSKA, *Akademia Podlaska w Siedlcach, Poland*

ANGEL TEJADA PONCE, *Universidad de Castilla-La Mancha, Spain*

DANIEL TEODORESCU, *Emory University, Atlanta, USA*

GHEORGHE POPESCU, *Academy of Economic Studies, Bucharest, Romania*

ROMIȚĂ IUCU, *University of Bucharest, Romania*

RĂZVAN PAPUC, *University of Bucharest, Romania*

MAGDALENA PLATIS, *University of Bucharest, Romania*

DIANA POCIOVĂLIȘTEANU, *Constantin Brâncuși University, Târgu-Jiu, Romania*

ION POPA, *Academy of Economic Studies, Bucharest, Romania*

MIHAI ROMAN, *Academy of Economic Studies, Bucharest, Romania*

STELIAN STANCU, *Academy of Economic Studies, Bucharest, Romania*

DINU VASILE, *Academy of Economic Studies, Bucharest, Romania*

MARIAN ZULEAN, *University of Bucharest, Romania*

The next issue topic:

Manager no. 34 - Avant-garde management and leadership-from the company hierarchy to self leading and self organization

Faculty of Business and Administration

MANAGER JOURNAL

December 2020

© *Manager*

<http://manager.faa.ro>

manager@faa.ro

TABLE OF CONTENTS

*~ Challenges of the global business environment -
theoretical and practical perspectives*

<i>Editorial</i>	5
ȘTEFAN CATANĂ, SORIN-GEORGE TOMA	
~ Retail industry - marketing strategies for the competitive business environment.....	7
CĂTĂLIN GRĂDINARU, LENUȚA NICA, AIMEE ANDRADA THEODORA GEORGESCU	
~ The performance of companies in today's globalized world.....	14
SORIN-GEORGE TOMA, ȘTEFAN CATANĂ	
~ CUSTOMER EXPERIENCE: A CONCEPTUAL OVERVIEW	28
ANDRA MODREANU	
~ BEST PRACTICES OF SOCIAL ENTREPRENEURSHIP IN ROMANIA	35
NICOLETA T. PETRICĂ	
~ SUSTAINABLE CITIES: AN OVERVIEW.....	45
DENISA ELENA BĂLĂ, STELIAN STANCU	
~ Limiting informal economy in the context of business environment regulations. An analysis of "young" European Union members.....	55

Management dilemmas in the XXI century.

Personal

Prof. Ph.D. Paul Marinescu

Retail industry - marketing strategies for the competitive business environment

~ Ph. D. Ștefan Catană (University of Bucharest, Bucharest, Romania)

E-mail: catana.stefan90@yahoo.com

~ Ph. D. Sorin-George Toma (University of Bucharest, Bucharest, Romania)

E-mail: tomagsorin62@yahoo.com

Abstract: Management and marketing are the two of the most important global functions for a retail operator. Presenting the marketing strategies in retail industry is essential to understand the challenges of the competitive business environment in nowadays society. The goals of this paper are to present some of the retail marketing strategies that influences the retail industry. The methodology was based on a quantitative research method. The paper contributes to a better understanding of retail industry and to enhance the scientific literature regarding marketing strategies in this field.

Key words: retail industry, marketing strategies, competitive, business environment

JEL: M31, M39

1. Introduction

Retail industry implies the set of activities that markets products or services to final consumers for their own personal or household use (Kotni, 2011). Other authors presents retailing as the final part of the marketing process in which the various functions of the seller, usually a store or service establishment, and the buyer, an individual consumer are primarily oriented to accomplishing the exchange of economic goods and services, for purposes of personal, family or household use (Davidson, Sweeney and Stampfl, 1988). Retail services are seen as a sum of acts and elements that allow consumers to receive what they need or desire from the retail establishment (Mithcell, 2008).

The world of retailing is changing rapidly due to advances in technology and consumer behavior, and, therefore, innovation constitutes a key element in achieving competitive advantage (Tohănean and Toma, 2018). This dynamic retail marketplace is forcing retailers to strategize how to best position themselves to survive and flourish in this competitive business environment at a global level (Toma and Marinescu, 2013; Toma and Marinescu, 2015; Grewal, et al., 2021).

Starting from these aspects, the goals of this paper are to present some of the retail marketing strategies that influences the retail industry in such a competitive business environment. The research is based on a quantitative research. The paper contains four other sections as follows: literature review, research methodology, results and discussion, and conclusions.

2. Literature review

In scientific literature, the strategy is displayed in a narrow and wider sense. In a narrow sense, there are presented the goals, principles, and strategies pursued by a company and in a stricter sense as the activities which contribute to the fulfillment of the company's goals (Hofer and Schendel, 1978; Dabija and Abrudan, 2008).

Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company's products (Catană, 2019). Retailing services presents some peculiarities in comparison with goods, such as: intangibility, retail variability, inseparability and perishability (Zeithaml, 1981; Grădinaru, Toma and Marinescu, 2016; Catană, 2019).

Positioning is a concept which delimits the characteristics of competitive objects by outlining the target segments with the objective of obtaining competitive advantages (Liebmann, Zentes and Swoboda, 2008), being also used in services marketing (Grădinaru and Toma, 2017a; Grădinaru and Toma, 2017b). A retail store's location is the most important determinant of store's success or failure (Vandell and Carter, 1994). Strategies for product and service assortments include the width and depth of the product range (Mantrala, et al., 2009, Catană and Toma, 2021). Pricing strategy is the policy a retail company adopts to determine what it will charge for its products and services (Marinescu, Niculae and Toma, 2010; Sammut-Bonnici and Channon, 2015). Retailer promotions are offered by retailers to consumers to increase sales for the item, category or store (Blattberg and Briesch, 2012). The atmosphere in a store is a combination of factors related to the design, color and appearance of a store and there are some specific strategies (Turley and Chebat, 2002). As a consequence, in this research, we will refer to the following strategies:

- positioning in relation to the competition;
- positioning through the novelty of the product purchasing process;
- positioning through the novelty of the products and the assortments of products offered;
- store location;
- product and services assortments;
- pricing;
- promotion;
- store atmosphere.

3. Research methodology

In order to reach the aims of the paper, the authors employed a quantitative research method. The information was obtained through desk research. The secondary data had been collected through the deployment of a widespread literature review from various sources, such as books and journals from the fields of marketing, management, and retailing. The documents were found in prestigious economic databases (Scopus, Web of Science, Science Direct, JSTOR and Google Scholar). Firstly, the authors studied the literature review on retailing, management, and marketing strategies. Secondly, the information was synthesized, highlighting the successful marketing strategies in retailing. Finally, the authors concluded the paper and emphasized the conclusions following the analysis performed.

4. Results and discussions

A retail company must decide what it wants to achieve for its customers. Thus, it must decide which is the target market and develop the best combination of the elements of the marketing mix (product, price, distribution, and promotion). Starting from this aspect, some retail marketing strategies that influences the retail industry are presented below.

Positioning strategies

Positioning strategies in relation to the competition - involves the choice of the target market and the competitive advantage in relation to the competition. These choices allow merchants to adapt the components of the marketing mix (product assortment, service level, store locations, prices, and promotion) to the needs of selected customer segments. Differentiating merchants according to the criteria presented above is the argument by which customers prefer one or the other of the stores. The expectations that customers have are different from one store to another, and the positioning of retailers comes from the novelties brought in the purchasing process, in the novelties they bring to the product assortments or in the case of both components.

Positioning strategies through the novelty of the product purchasing process - the way a merchant facilitates customers' access to the desired products and brands, the way the customer can access products in stores and the way payment can be made in stores are components that determine satisfaction customers for a particular merchant.

Positioning strategies through the novelty of the products and the assortments of products offered - a trader must be known to be of a certain type. In this sense, a store can be known as being very prompt in purchasing and selling the latest generation products, while other stores can be recognized as having a wide variety of products or for storing and selling the highest quality brands (premium).

For reasons related to the size of commercial spaces and the management of relationships with suppliers, a store that tries to have too many different types of assortments can be considered a store difficult to manage. In addition, a trader who stores the latest products in a category will be able to store the highest quality products in that category, but the company's attention will be divided and it will be difficult to manage relationships with different suppliers in the sense that their philosophies business are different. Also, such a strategy will send confusing messages to customers about the type of products that are stored very well by stores.

Store location' strategies

Store location' strategies - influence sales performance in general and food sales performance in particular. In the case of these types of products, customers prefer to buy them from a nearby store.

The merchandise and services offered by retailers are part of their core value proposition (Grewal, et al., 2021). The retailer must decide whether it will be a stand-alone store in one city or open stores in several cities. A retailer may decide to open a store in each city, in this sense it will have to purchase products from distributors to replenish its stocks.

There is also the strategic option of opening several stores in one city and then expanding the store in another city. Consequently, the merchant will cover the cities one by one, compared to the strategic option of opening only one store in each city. In this sense, it is preferable to open a distribution center in each city. This center receives products for all stores in a city in a single truck from each supplier and then smaller batches of these products are loaded into trucks for each store. In this case, the retailer buys directly from the manufacturer and does not have to buy from distributors.

The choice of the city where the products are sold depends on several factors, the most important of which are: the congruence of the store with the chosen target market, the level of disposable income of potential customers, the availability of locations in the city and the level of competition.

The choice of the location of the store depends on the traffic in the respective area, the parking facilities, the presence of the competitors and the possible opportunities to form new retail centers with other markets. When several non-competing merchants decide to have outlets in the same location, that retail center becomes more frequented by more customers than the number of customers that could have been brought by each store. This is the principle according to which large malls or malls operate.

In addition to being close to customers, the location of a store is also important from the perspective of the lifestyle of customers in the target market, because this aspect will influence the frequency with which the store will be visited and the volume of purchases. In this sense, customers prefer to go to large malls on weekends to combine elements related to entertainment with elements related to the purchase of different types of products.

Product and services assortments strategies

Strategies for product and service assortments - refers to the width and depth of the product range: a trader may have a wide range of products, but in each product line, he may store a range of shallow products or may have a narrow assortment, but within each product line, it can store a range of products in depth.

Therefore, it is the choice of a trader to store and sell a deep line of products or to prefer the storage and sale of a wide range of products. Generally, a retailer starts with a few product lines and gradually expands their product ranges to be able to sell more products to customers who come to stores. An example of this is given by gas and diesel stations that started as fuel suppliers and expanded by adding food and non-food stores to maximize revenue that can be obtained from customers. Consequently, by expanding the product range, a retailer reduces customer sensitivity to the purchase price, because a person stops at a gas station because he can buy a range of products and not because the cost of fuel is low. The decision of a retailer regarding the range of products it will store will depend on the positioning strategy and the establishment of the profitability of the product lines. It may be determined to slowly lower unprofitable lines, unless it is observed that they are necessary to comply with the range of products expected by its customers. A retailer also has a choice between selling only the manufacturer's brands or making and selling its own brands.

Traders should also consider the nature and degree of additional services offered to customers. This degree can range from stores that offer customers the opportunity to search for their own products, to merchants that offer digital panels with product information and suggestions from part of the sales staff. In the case of car dealers, it is necessary to provide elaborate forms of product presentation, the possibility to test the cars, as well as credit options for their purchase, while in the case of discount stores customers must select their own products. desired, possibly to choose them from piles of goods. Consequently, the degree of services dedicated to customers must be higher when the level of knowledge for customers is low, the expertise being necessary to buy the desired product or when the products are expensive (the money spent in relation to customer income is high). On the other hand, the retailer can also use the additional services offered to customers as a means of differentiation when its product range is similar to that of competitors. An example of this can be a cosmetics store that can hire staff to advise customers on relevant products in the store.

Pricing strategies

Pricing strategies - a trader can choose to compete only from a price perspective, but the price can be a competitive advantage only when a trader has a very high purchasing power and is able to control his costs.

A retailer may prefer to have lower prices daily than to have higher prices that are supplemented by related price reductions. Such a retailer is dominated by the idea that customers prefer to be offered low prices on a regular basis rather than occasional price reductions. A trader can sell basic products, such as bread and soft drinks, which are sold in simple packaging at low prices (Catana, 2015). This type of trader is dedicated to the conscious buyer who needs to have

lower prices for commodities. In this sense, certain products can be sold at competitive prices to generate a higher demand for other items. Such products can often be sold below the production price and are called in the literature “loss leaders”. The basic idea for this strategy is to attract customers to the low price of these products to buy the item and to end up buying other products. The elements chosen for this type of strategy must be widely known and must be purchased frequently.

Promotion strategies

Promotion strategies - include advertising, public relations and sales promotion. The goal is to position the store in the minds of consumers. Retailers are using all the recent advancements in technologies to ensure that they make the right offers to the right consumers at the right time (Catana, et. al., 2020; Villanova, et al., 2021). In this sense, merchants make advertising materials, organize special events and develop promotions addressed to the target market.

The opening of a store is a large event that is designed from the point of view of advertising, merchandising and from a commercial point of view. All opening elements - the press release, special events, media advertising and store posters - are carefully planned.

Retail advertising is done locally, even if chain stores can advertise nationwide, local advertising by retailers provides specific information about their stores related to: store location, available products, schedule, prices and promotions. In contrast, national retail advertising generally focuses on image.

A popular retail advertising practice is cooperative advertising. In this regard, manufacturers pay retailers to promote their products in advertising catalogs or manufacturers develop an advertising campaign through the media and include the names of merchants who sell the products at the end of the material.

Many retailers avoid advertising in the media in favor of direct mail campaigns or direct customer loyalty campaigns (discount cards, gift points, etc.). These direct marketing programs can be a cost-effective way to increase customer loyalty to stores and spending on these core customers.

Store atmosphere strategies

Strategies related to the atmosphere in stores - the atmosphere of the store is reflected both in the components inside it and in those outside. Its role is to get customers to visit the store and to be encouraged to buy when they are in a store.

The exterior design includes architectural elements, signs, the display window and the use of colors that create the identity of a retailer. The image that is designed must be in accordance with the specifics of the store and its profile. For example, the children’s product store is usually bright and colorful, to attract the child and to want to buy products from the store. Such a store should generally have plenty of room for the child to move around and explore. Even sales agents should match the child’s temperament and be playful.

The interior design such as the lighting of the store, the fixing devices and the presentation of the products, as well as the general appearance influence the atmosphere of the store. In the case of a store that has narrow and narrow colors or that is not well lit, customers will refuse to

spend time in such a store.

The colors, music and smell in a store are elements that affect the mood of customers, they prefer to stay longer in stores that are full of color, that play good music and where the smells are pleasant. People assign different meanings to the colors and the merchant uses the colors to create the desired atmosphere in the store. Music can also be used to create a relaxing atmosphere and make customers spend more time in the store.

5. Conclusions

In a competitive business environment, companies operating in the retail industry must be able to differentiate themselves. Thus, marketing strategies are a suitable tool to success in attracting and maintaining consumers. As a consequence, strategies related to positioning, store location, product and services assortment, pricing, promotion, and store atmosphere influence the retail industry.

The paper provides the theoretical framework to better understand the retail industry and the concepts regarding the main marketing strategies in this field. The outcome of the paper provides a guidance tool for professionals from retail industry and for persons that are interested in the field of retailing, in general, and regarding the marketing strategies, particularly.

REFERENCES:

1. Blattberg, R. and Briesch, R., 2012. Sales promotions. In: Ö. Özer and R. Phillips, eds. 2012. The Oxford Handbook of Pricing Management. Oxford: Oxford University Press. pp.585-619.
2. Catană, S.-A., 2015. Romanian Internet retail market – status, marketing aspects and ethical values. 7th LUMEN International Conference MEPDEV 2015, pp.79-82.
3. Catană, S.-A., 2019. A new approach to retail marketing - ways of services marketing. SEA - Practical Application of Science, VII(19), pp.75-77.
4. Catană, S., Toma, S.-G., Grădinaru, C. and Iordache, A., 2020. The reflection of retail marketing strategies in advertising catalogues. *Manager*, 31(1), pp.16-23.
5. Catană, S. and Toma, S.-G., 2021. Marketing mix and corporate social responsibility in automotive industry – case study: Mazda Motor Corporation. *Annals of the „Constantin Brâncuși” University of Târgu Jiu*, 1, pp. 205-209. [online] Available at: <https://www.utgjiu.ro/revista/ec/pdf/2021-01/30_Catana.pdf> [Accessed 7 June 2021].
6. Dabija, D. and Abrudan, I. N., 2008. Positioning strategies of retailers. *Revista Tinerilor Economisti*, 1(10), pp.82-90. [online] Available at: <<http://feaa.ucv.ro/RTE/010-11.pdf>> [Accessed 4 June 2021].
7. Davidson, R., Sweeney, J. and Stampfl, W. R., 1988. *Retailing Management*. 6th ed. Hoboken, NJ: John Wiley & Sons.
8. Grădinaru, C., Toma, S.-G. and Marinescu, P., 2016. Marketing mix in services. *Ovidius University Annals- Economic Sciences Series*, XVI(1), pp.311-314. [online] Available at: <http://stec.univ-ovidius.ro/html/anale/RO/wp-content/uploads/2015/03/ANALE-vol-16_issue_1_site.pdf> [Accessed 28 April 2021].

9. Grădinaru, C. and Toma, S.-G., 2017a. The extended marketing mix: The case of El Celler De Can Roca. *The Journal Contemporary Economy*, 2(3), pp.219-227. [online] Available at: <http://www.revec.ro/images/images_site/categorii_articole/pdf_categorie_3896b0db999d7a62738f8f4d9d05a4b1.pdf#page=219> [Accessed 22 May 2021].
10. Grădinaru, C. and Toma, S.-G., 2017b. Performance in services marketing. The case of two of the world's best restaurants. *The Journal Contemporary Economy*, 2(4), pp.99-109. [online] Available at: <http://www.revec.ro/images/images_site/articole/article_6f4b543dcfce6dcda17ca7c552f7b71a.pdf> [Accessed 23 May 2021].
11. Grewal, D., Gauri, D., Roggeveen, A. and Sethuraman, R., 2021. Strategizing Retailing in the New Technology Era. *Journal of Retailing*, 97(1), pp. 6-12.
12. Hofer, C. and Schendel, D., 1978. *Strategy Formulation: Analytical Concepts*. St Paul: West Publishing.
13. Kotni, V., 2011. Impact of retail services on retail sales. *Journal of Business and Retail Management Research*, 6(1), pp. 1-9.
14. Liebmann, H. P., Zentes, J. and Swoboda, B., 2008. *Handelsmanagement*. München: Verlag Vahlen.
15. Mantrala, M., Levy, M., Kahn, B. and Fox, E., 2009. Why is Assortment Planning so Difficult for Retailers? A Framework and Research Agenda. *Journal of Retailing*, 85(1), pp.71-83.
16. Marinescu, P., Niculae, M. S. and Toma, S.-G., 2010. Pricing strategy used as a tool for building customer satisfaction in the retail sector. *Science*, 16(1), pp.1122-1127. [online] Available at: <<http://steconomiceu-oradea.ro/anale/volume/2010/n2/179.pdf>> [Accessed 27 May 2021].
17. Mithcell, P. H., 2008. *Discovery-Based Retail*. Minneapolis, MN: Bascom Hill Publishing Group.
18. Sammut-Bonnici, T. and Channon, D., 2015. Pricing Strategy. In: C. L. Cooper, J. McGee and T. Sammut-Bonnici, 2014. *Wiley Encyclopedia of Management*. 12. Hoboken, NJ: John Wiley & Sons.
19. Tohänean, D. and Toma, S.-G., 2018. Innovation, a key element of business models in the Fourth Industrial Revolution. *Network Intelligence Studies*, VI(12), pp.121-130. [online] Available at: <http://seaopen-research.eu/Journals/articles/NIS_12_6.pdf> [Accessed 24 April 2021].
20. Toma, S.-G. and Marinescu, P., 2013. Global strategy: the case of Nissan Motor Compan., *Procedia Economic and Finance*, 6, pp.418-423. [online] Available at: <<http://www.sciencedirect.com/science/journal/22125671>> [Accessed 25 May 2021].
21. Toma, S.-G. and Marinescu, P., 2015. Strategy and change. *Manager*, 21, pp.145-150. [online] Available at: <<https://www.proquest.com/docview/1785750491/fulltextPDF/6EF6EC0540814A90PQ/1?accountid=15533>> [Accessed 23 May 2021].
22. Turley, L. and Chebat, J.-C., 2002. Linking retail strategy, atmospheric design and shopping behaviour. *Journal of Marketing Management*, 18(1), pp.125-144.
23. Vandell, K. D. and Carter, C. C., 1994. Retail store location and market analysis: A review of the research. *Journal of Real Estate Literature*, 2(2), pp. 13-45.
24. Villanova, D., Bodapati, A.V., Puccinelli, N.M., Tsiros, M., Goodstein, R.C., Kushwaha, T., Suri, R., Ho, H., Brandon, R., Hatfield, C. and Courtney, B., 2021. Retailer marketing communications in the Digital Age: Getting the right message to the right shopper at the right time. *Journal of Retailing*, 97(1), pp.116-132.
25. Zeithaml, V., 1981. *How consumer evaluation processes differ between goods and services*. Chicago: James H. Donnelly and Willam & George Publishing.

The performance of companies in today's globalized world

~ Ph. D. Lecturer **Cătălin Grădinaru** (University of Bucharest, Bucharest, Romania)

E-mail: catalin.gradinaru@faa.unibuc.ro

~ Student **Lenuța Nica** (University of Bucharest, Bucharest, Romania)

E-mail: ella.nica@gmail.com

~ Student **Aimee Andrada Theodora Georgescu** (University of Bucharest, Bucharest, Romania)

E-mail: aimeegeorgescu@gmail.com

Abstract: Corporations represent a vital pillar in nowadays-globalized economy and, simultaneously, constitute an essential engine in the globalization process. Worldwide, their supremacy is tougher to be challenged as their dominance has a great overall impact on the economic, social and even political factors. In this ever so constant pursuit of becoming the supreme leader, the competition between them manifests itself as a fierce one.

The focus of the paper is to highlight and analyse the evolution of the first ten corporations around the world for 2018-2022 based on their total revenues, profits, assets and number of employees. The research methodology employed in this research is quantitative, based on secondary data from reports (ranks) and articles. Findings show and intense that even in challenging times such as the COVID-19 pandemic, about the same companies around the world continue to show their supremacy, adapting their tactics to contexts that exhibit disruptive change and, thus, showing robustness and flexibility at the same time. There is also a notable competition between the world's two super powers, the United States of America and China.

Key words: corporation, rank, revenue, profit, assets, employees, Fortune Global 500

JEL: F00, F23

1. Introduction

Corporations shape the way the world looks like nowadays and represent a vital pillar in the process of globalization (Grădinaru and Toma, 2018). Considering the impact (and its spread) that they have, the majority of global industries have become dominated by quite a small number of corporations (Österblom, et al., 2015) and it is a relevant phenomenon across diverse industries that is leading such (vertically integrated) corporations towards industry consolidation. Based on this market consolidation, the power found in the hands of corporations led them towards claims for incredible portions of the worldwide markets through the implementation of competitive global strategies (Toma and Marinescu, 2013; Toma and Marinescu, 2015). Being such important players in terms of economic development and prosperity beyond the country boundaries, corporations possess a huge capacity for wealth and power accumulation, generating an asymmetrical distribution of influence (Hileman, et al., 2020).

Concentrated economic power is not a new phenomenon and it takes place in an increasingly interconnected and globalized world. The impact of the key actors, giant-sized companies, upon the world is greater than ever before. It is a fact that the concentration and dominance of corporations is deeply restructuring the global economy (Baker, et al., 2019).

This article aims to portray the evolution of the top ten largest companies in the world and how they evolved in the 2018-2020 period in terms of revenues, profits, assets and number of employees. The data used for this purpose is provided by the Fortune Media IP Limited, namely the Fortune Global 500 Ranking. The remaining sections belonging to this paper have the following structure: the second section is aimed at literature review; the third section is shows the used research methodology; the fourth section is specific to results and discussions and the end of the paper is focused on conclusions.

2. Literature review

Giant companies have dominated the entrepreneurial scene for decades, almost regardless the sector of activity of the criteria used to rank them, especially because the global economy is witnessing great and fast-paced changes in this turbulent environment. The American and Chinese corporations are fiercely competing for supremacy on a global scale (Toma, Marinescu and Grădinaru, 2017; Toma and Grădinaru, 2018). It is becoming clearer (if that was not apparent before) that their strength tends to grow (especially when looking at the overall picture) even in challenging and tough times such as the one currently taking place, the COVID-19 pandemic, where its sheer size and manifestation generates a severe impact (Catană, Toma and Grădinaru, 2020) over societies and, implicitly, economies (even though the other way around may be valid as well). The presence of many companies playing the “global game” (Toma, Marinescu and Grădinaru, 2016), dominating the sectors and that are showing abilities via their impressive economic results, managing to maintain and even improve their performance, proves their capacity to be adaptable, robust, sustainable and to be “capable of withstanding perturbations associated with global complexities” (Ram, 2017, p.63). As a result of several big companies generating impressive revenues and profits by using globalization as the vital channel for business expansion

(Kahya and Seneler, 2018), constantly investing in research and development (and having the means as well), a concentration phenomenon manifests itself at their specific industries' levels (Pohludka, Stverkova and Ślusarczyk, 2018), making it even more challenging for other companies (even to highly innovative but lacking sheer size and power on various levels) to become a serious competitor for the world's top players (Tohănean and Toma, 2018).

The Fortune Global 500 ranking provides a clear view over the situation of the top companies in the world, providing the possibility to compare their evolution over longer periods and, at the same time, using various other criteria (rather than the main one used: revenues). This contributes to a better understanding of the situation at the global level and provides a good picture of how corporations generate and amass wealth and power, whilst providing examples of best practices.

3. Research methodology

The research objective is achieved by using a quantitative research methodology. The information used in order to analyse the world's top ten companies in the world according to their revenues, profits, assets and number of employees comes from secondary sources of data such as reports (ranks) and articles.

Fortune Magazine publishes on a yearly basis the Global 500 ranking of the biggest companies in the world. The companies placed on the rank based on their total revenues factoring in their published financial data. There is a possibility to modify the ranking using various other criteria such as profit, assets and number of employees using the online tools provided on their website (Fortune Media IP Limited, 2020). Electronic databases from open sources were used for the literature review.

4. Results and discussions

This chapter focuses on analysing the evolution of the most representative top ten companies at the global level, using the following criteria: revenues, profits, assets and number of employees. The analysed period is between 2018 and 2021. The presented rankings are part of Fortune's Global 500 ranking specific to the biggest 500 companies from around the world (the main ranking being based on their total revenues).

The leader by revenues in 2018 (Table 1) is the famous American retailer, Walmart, leading with \$500,343 million. The company exceeds its follower (State Grid, China's state-owned power company) with approximately 30% in terms of revenue and in comparison to the tenth player, Berkshire Hathaway, there is a difference of about 52%.

The United States and China are dominating the rank, each placing 3 companies; they are followed by Britain, Japan, Germany and the Netherlands (each having one company placed amongst the top 10).

Americans companies' cumulated revenue (\$986,843.00 million) is lower than the one of the Chinese companies (\$986,843.00 million) with a difference of \$15,021.00 million.

The energy sector dominates the first ten companies in the world (six companies).

Table 1: The 2018 top 10 companies in the world by revenues

Rank	Company name	Revenues (million dollars)	Country	Sector
1	Walmart	500,343	U.S.	Retailing
2	State Grid	348,903	China	Energy
3	Sinopec Group	326,953	China	Energy
4	China National Petroleum	326,008	China	Energy
5	Royal Dutch Shell	311,870	Netherlands	Energy
6	Toyota Motor	265,172	Japan	Motor Vehicles & Parts
7	Volkswagen	260,028	Germany	Motor Vehicles & Parts
8	BP	244,582	Britain	Energy
9	Exxon Mobil	244,363	U.S.	Energy
10	Berkshire Hathaway	242,137	U.S.	Financial

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

According to the companies' profits, Apple managed to rank first (Table 2), even though it is not in the top 10 by total revenues. The American giant surpasses British American Tobacco by a relatively small difference of just 0.05%. The situation is truly noticeable when comparing the leader to the tenth company, Bank of China: and incredible 47% difference in terms of profits.

The 2018 top 10 companies in the world by their profits highlights a similar situation as in the rank by total revenues; there is a domination by the American and Chinese companies (each having four). The cumulated profit of the American companies (\$152,842.00 million) is greater than the one of the Chinese companies (\$132,228.50 million) with \$20,613.50 million.

The financial sector takes five places from the top 10 most profitable companies, followed by technology (two spots), telecommunications (two positions), and food, beverages and tobacco (one place within the top ten).

Table 2: The 2018 top 10 companies in the world by profits

Rank	Company name	Profits (million dollars)	Country	Sector
1	Apple	48,351.00	U.S.	Technology
2	British American Tobacco	48,327.80	Britain	Food, Beverages & Tobacco
3	Berkshire Hathaway	44,940.00	U.S.	Financial
4	Industrial & Commercial Bank of China	42,323.70	China	Financial
5	Samsung Electronics	36,575.40	South Korea	Technology
6	China Construction Bank	35,845.20	China	Financial
7	Verizon	30,101.00	U.S.	Telecommunications

8	AT&T	29,450.00	U.S.	Telecommunications
9	Agricultural Bank of China	28,550.40	China	Financial
10	Bank Of China	25,509.20	China	Financial

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

2018's first ranked company in the world based on its assets (Table 3) is Industrial & Commercial Bank of China, leading with \$4,005,995.50 million, roughly 15% more than the follower, China Construction Bank, and approximately 41% more when compared with the tenth player, the French company BNP Paribas.

China is dominating the rank, placing four companies, followed by the United States (U.S.) and Japan (two each) and France and Britain (one company each).

The cumulated assets of the Chinese companies (\$13,625,957.00 million) is greater than the one of the American companies (\$5,879,129.00 million) with a difference of \$7,746,828.00.

The financial sector completely dominates the first ten companies in the world by assets.

Table 3: The 2018 top 10 companies in the world by assets

Rank	Company name	Assets (million dollars)	Country	Sector
1	Industrial & Commercial Bank of China	4,005,995.50	China	Financial
2	China Construction Bank	3,397,479.00	China	Financial
3	Fannie Mae	3,345,529.00	U.S.	Financial
4	Agricultural Bank of China	3,233,013.20	China	Financial
5	Bank Of China	2,989,469.30	China	Financial
6	Mitsubishi UFJ Financial Group	2,886,649.30	Japan	Financial
7	Japan Post Holdings	2,733,378.70	Japan	Financial
8	JPMorgan Chase & Co.	2,533,600.00	U.S.	Financial
9	HSBC Holdings	2,521,771.00	Britain	Financial
10	BNP Paribas	2,353,808.80	France	Financial

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

The world's leading company by number of employees in 2018 is Walmart (Table 4), with 2,300,000 employees. There is a difference of approximately 36% between the American retailing colossus and the second ranked company, China National Petroleum. Walmart has around 75% more employees than the tenth player on this rank, Amazon.

Even though there is an American company as this rank's leader, China is dominating in terms of number of companies situated within the top ten by number of employees (placing 4 companies). China is followed by American companies (three) and by Japan, Taiwan and Germany (one each).

The cumulated number of employees of the Chinese companies is 3,999,771, a higher number than the American companies (3,439,614) with a difference of 560,157 employees.

The energy sector dominates the first ten corporations in the world by number of employees.

Table 4: The 2018 top 10 companies in the world by number of employees

Rank	Company name	Number of employees	Country	Sector
1	Walmart	2,300,000	U.S.	Retailing
2	China National Petroleum	1,470,193	China	Energy
3	China Post Group	948,239	China	Transportation
4	State Grid	913,546	China	Energy
5	Hon Hai Precision Industry	803,126	Taiwan	Technology
6	Sinopec Group	667,793	China	Energy
7	Volkswagen	642,292	Germany	Motor Vehicles & Parts
8	Compass Group	588,112	Britain	Business Services
9	U.S. Postal Service	573,614	U.S.	Transportation
10	Amazon	566,000	U.S.	Technology

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

The same situation as seen in 2018 unfolds in 2019, where Walmart leads the world rank according to revenues (Table 5) by \$514,405.00 million, an approximate value of 19% higher than the one of the follower, Sinopec Group. The gap is considerable in comparison to the tenth player, Toyota Motor (around 47%).

China is dominating the rank, placing three companies, followed by the US with two companies. The rank is completed by the Netherlands, Saudi Arabia, Britain, Germany and Japan (each with one company within the top ten).

The cumulated revenues of the American companies (\$804,617.00 million) is lower than the one of the Chinese companies (\$1,194,682.50 million) with a difference of \$390,065.50 million.

The energy sector dominates the first ten corporations in the world, with seven companies.

Table 5: The 2019 top 10 companies in the world by revenues

Rank	Company name	Revenues (million dollars)	Country	Sector
1	Walmart	514,405.00	U.S.	Retailing
2	Sinopec Group	414,649.90	China	Energy
3	Royal Dutch Shell	396,556.00	Netherlands	Energy
4	China National Petroleum	392,976.60	China	Energy
5	State Grid	387,056.00	China	Energy
6	Saudi Aramco	355,905.00	Saudi Arabia	Energy
7	BP	303,738.00	Britain	Energy
8	Exxon Mobil	290,212.00	U.S.	Energy

9	Volkswagen	278,341.50	Germany	Motor Vehicles & Parts
10	Toyota Motor	272,612.00	Japan	Motor Vehicles & Parts

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

Considering the top ten companies in the world by profits in 2019 (Table 6), the situation displays a clear leader: Saudi Aramco. The Saudi Arabian company is leading with a profit of \$110,974.50 million, an about 46% higher value in comparison to the following most profitable company (Apple) and around 75% more than the tenth important player, Bank of China.

The rank by profit for 2019 is dominated by US and China with four companies each. The cumulated profit of the American companies (\$150,888.00 million) is greater than the one of the Chinese companies (\$141,382.40 million) with a difference of \$9,505.60 million.

The financial sector takes occupies six positions and is followed by technology (three companies) and energy (the leader).

Table 6: The 2019 top 10 companies in the world by profits

Rank	Company name	Profits (million dollars)	Country	Sector
1	Saudi Aramco	110,974.50	Saudi Arabia	Energy
2	Apple	59,531.00	U.S.	Technology
3	Industrial & Commercial Bank of China	45,002.30	China	Financial
4	Samsung Electronics	39,895.20	South Korea	Technology
5	China Construction Bank	38,498.40	China	Financial
6	JPMorgan Chase & Co.	32,474.00	U.S.	Financial
7	Alphabet	30,736.00	U.S.	Technology
8	Agricultural Bank of China	30,656.50	China	Financial
9	Bank of America Corp.	28,147.00	U.S.	Financial
10	Bank of China	27,225.20	China	Financial

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

The rank specific to the top ten companies in the world factoring in their assets for 2019 (Table 7) is led by Industrial & Commercial Bank of China with \$4,034,481.60 million, having approximately 15% more than rank's follower, Fannie Mae, and around 42% more when compared to the tenth company, China Development Bank.

China dominates the rank, placing half of the companies from the top ten, followed by America and Japan (two each) and France and Britain (one company each).

The cumulated assets of the Chinese companies (\$16,164,236.50 million) is greater than the one of the American companies (\$6,040,850.00 million) with a gap of \$10,123,386.50 million.

The financial sector completely dominates the first ten corporations in the world by assets.

Table 7: The 2019 top 10 companies in the world by assets

Rank	Company name	Assets (million dollars)	Country	Sector
1	Industrial & Commercial Bank of China	4,034,481.60	China	Financial
2	Fannie Mae	3,418,318.00	U.S.	Financial
3	China Construction Bank	3,382,421.70	China	Financial
4	Agricultural Bank of China	3,293,105.00	China	Financial
5	Bank of China	3,097,612.00	China	Financial
6	Mitsubishi UFJ Financial Group	2,811,411.40	Japan	Financial
7	JPMorgan Chase & Co.	2,622,532.00	U.S.	Financial
8	Japan Post Holdings	2,585,802.00	Japan	Financial
9	HSBC Holdings	2,558,124.00	Britain	Financial
10	China Development Bank	2,356,616.20	China	Financial

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

The company with the biggest number of employees in the world in 2019 is Walmart (Table 8), with 2,200,000 employees (around 37% more than the second placed company - China National Petroleum - and around 74% more employees than the tenth company - U.S. Postal Service).

China is dominating the rank, placing four companies out of the top ten, closely followed by the United States of America (with three companies) and Britain, Taiwan and Germany (with one each).

The cumulated number of employees of the Chinese companies 3,854,460 is greater than the one of the American companies 3,413,302) with a 441,158 difference.

The energy sector dominates the rank with three active companies.

Table 8: The 2019 top 10 companies in the world by number of employees

Rank	Company name	Number of employees	Country	Sector
1	Walmart	2,200,000	U.S.	Retailing
2	China National Petroleum	1,382,401	China	Energy
3	China Post Group	935,191	China	Transportation
4	State Grid	917,717	China	Energy
5	Hon Hai Precision Industry	667,680	Taiwan	Technology
6	Volkswagen	664,496	Germany	Motor Vehicles & Parts
7	Amazon	647,500	U.S.	Retailing
8	Sinopec Group	619,151	China	Energy
9	Compass Group	595,841	Britain	Business Services
10	U.S. Postal Service	565,802	U.S.	Transportation

Source: Adapted from Fortune Magazine, 2020 and Fortune Media IP Limited.

Just as in the previous years, Walmart is the leader of the 2020 top ten companies rank by revenues (Table 9), cumulating \$523,964 million, around 22% higher than their main challenger, Sinopec Group and approximately 47% higher than the last company on the rank, Toyota Motor.

China is dominating the rank, placing three companies on this rank.

The cumulated revenues of the American companies (\$1,170,045 million) is smaller than the one of the Chinese companies (\$804,486 million), resulting a difference of \$365,559 million.

The energy sector is dominating the first ten companies in the world by their revenues, with six companies.

Table 9: The 2020 top 10 companies in the world by revenues

Rank	Company name	Revenues (million dollars)	Country	Sector
1	Walmart	523,964	U.S.	Retailing
2	Sinopec Group	407,009	China	Energy
3	State Grid	383,906	China	Energy
4	China National Petroleum	379,130	China	Energy
5	Royal Dutch Shell	352,106	Netherlands	Energy
6	Saudi Aramco	329,784	Saudi Arabia	Energy
7	Volkswagen	282,760	Germany	M o t o r Vehicles & Parts
8	BP	282,616	Britain	Energy
9	Amazon	280,522	U.S.	Retailing
10	Toyota Motor	275,288	Japan	M o t o r Vehicles & Parts

Source: Adapted from Fortune Media IP Limited.

The rank specific to the top ten companies in the world by profits in the year 2019 (Table 10) places at its top Saudi Aramco, a company cumulating \$88,210.90 million. They have around 8% higher profits than Berkshire Group (situated in the second place). When compared to the tenth position held by Bank of America, Saudi Aramco generates around 69% more.

There are six American companies that dominate this top ten rank by profit (followed by three from China and one from Saudi Arabia). The cumulated profit of the American companies (\$274,117 million) is greater than the one belonging to the Chinese ones (\$114,505 million), leading to a difference of \$159,612 million.

The financial sector holds six positions within this rank, followed by technology (placing three companies), and energy (one company).

Table 10: The 2020 top 10 companies in the world by profits

Rank	Company name	Profits (million dollars)	Country	Sector
1	Saudi Aramco	88,210.90	Saudi Arabia	Energy
2	Berkshire Group	81,417.00	U.S.	Financial
3	Apple	55,256.00	U.S.	Technology
4	Industrial & Commercial Bank of China	45,194.50	China	Financial
5	Microsoft	39,240.00	U.S.	Technology
6	China Construction Bank	38,609.70	China	Financial
7	JPMorgan Chase	36,431.00	U.S.	Financial
8	Alphabet	34,343.00	U.S.	Technology
9	Agricultural Bank of China	30,701.20	China	Financial
10	Bank of America	27,430.00	U.S.	Financial

Source: Adapted from Fortune Media IP Limited.

Regarding the 2020 world's leading companies according to their assets (Table 11), Industrial & Commercial Bank of China, has the lead with \$4,322,528.40 million, meaning around 16 % more than the following company (China Construction Bank) and about 44% more compared to Bank of America (placed on the tenth position).

China shows its dominance by placing 4 companies amongst the top ten, followed by the U.S. with three companies. The cumulated assets of the Chinese companies (\$14,814,552.60 million) is higher than the one of the American companies (\$8,624,777.00 million), leading to a total difference of \$ 6,189,775.60 million.

The financial sector dominates the rank in its entirety.

Table 11: The 2020 top 10 companies in the world by assets

Rank	Company name	Assets (million dollars)	Country	Sector
1	Industrial & Commercial Bank of China	4,322,528.40	China	Financial
2	China Construction Bank	3,651,644.60	China	Financial
3	Agricultural Bank of China	3,571,541.70	China	Financial
4	Fannie Mae	3,503,319.00	U.S.	Financial
5	Bank of China	3,268,837.90	China	Financial
6	Mitsubishi UFJ Financial Group	3,114,383.10	Japan	Financial
7	HSBC Holdings	2,715,152.00	Britain	Financial
8	JPMorgan Chase	2,687,379.00	U.S.	Financial
9	Japan Post Holdings	2,647,343.80	Japan	Financial
10	Bank of America	2,434,079.00	U.S.	Financial

Source: Adapted from Fortune Media IP Limited.

Considering the rank specific to the top ten companies by their number of employees (Table 12), Walmart is the leader (with a total of 2,200,000 employees). The American retailer has around 39% more employees than the second placed company (China National Petroleum) and 74% more employees than the tenth one (U.S. Postal Service).

Chinese companies are predominant (four out of ten) and are closely followed by the USA (with three companies). Britain, Taiwan and Germany each have one company amongst the top ten by number of employees.

The cumulated number of employees of the Chinese companies is 3,761,906.00, exceeding the one specific to the American companies (3,563,021.00); this implies a difference of 198,885.00 employees.

The energy sector is the most relevant one in terms of number of appearances (three).

Table 12: The 2020 top 10 companies in the world by number of employees

Rank	Company name	Number of employees	Country	Sector
1	Walmart	2,200,000	U.S.	Retailing
2	China National Petroleum	1,344,410	China	Energy
3	China Post Group	927,171	China	Transportation
4	State Grid	907,677	China	Energy
5	Amazon	798,000	U.S.	Retailing
6	Hon Hai Precision Industry	757,404	Taiwan	Technology
7	Volkswagen	671,205	Germany	Motor Vehicles & Parts
8	Compass Group	596,452	Britain	B u s i n e s s Services
9	Sinopec Group	582,648	China	Energy
10	US Postal Service	565,021	U.S.	Transportation

Source: Adapted from Fortune Media IP Limited.

Considering the revenues for the analysed period (2018-2020), it is clear that there is an almost complete dominance of the same companies (besides Saudi Aramco who has replaced in 2019 Berkshire Hathaway in the top ten rank). Walmart continued to be the constant leader every year and managing to constantly increase their revenues even in more challenging times (the manifestation of the effects generated by the 2019 pandemic). The world's two power poles, the United States of America and China are disputing their title; a slight numerical advantage favours China. The most relevant sector in which the companies operate is energy (nineteen companies from the energy sector out of a total of thirty for the whole period).

Factoring in the profits generated by the companies from 2018 to 2020, the following situation is shown: the 2018 leader has been replaced with the energy tycoon, Saudi Aramco. There are four companies constantly present within the global top ten: Apple, Industrial & Commercial

Bank of China, China Construction Bank and Agricultural Bank of China. Considering their country of origin, even though there is a strong clash between China and the United States of America, the latter seems to be consolidate their domination in 2020. The financial sector is the most representative throughout the period.

Looking at the top companies in the world by assets, in the period 2018-2020, there are nine companies constantly present within the top ten; only the last spot has changed from one year to another (a switch from France, to China and then to the USA). China has the most appearances throughout the period (a significant thirteen of out a maximum of thirty), followed by the USA (seven) and Japan (six). The financial sector is the only one found within the top ten companies in the world based on their assets for the analysed period.

Based on their number of employees, the same companies are found within the top ten within the entire period subject to the analysis, the first four companies even maintaining their position on the rank. From the number of employee's perspective, China is the leader with twelve occurrences from 2018 to 2020 and it is followed by the USA (with nine). If we consider the number of companies who activate in a specific sector, then energy is the most relevant.

5. Conclusions

Regardless the context, truly big companies show that they are able to adapt to almost any given condition, managing even to thrive in challenging times. Given their sheer size and power accumulation, a noticeable trajectory points towards a worldwide concentration phenomenon.

The paper highlights the situation of the biggest ten companies in the world based on their revenues, profits, assets and number of employees using the data provided by Fortune's Global 500 rank specific to the 2018-2020 period, showing that there is a constant intense competition between almost the same companies (mainly each competing specifically based on each of the criteria used). There is an intense competition at the global level between the companies from China and the United States of America.

REFERENCES:

1. Baker, A., et al., 2019. Corporate Power & the Global Economy. Sheffield Political Economy Research Institute (SPERI, 03.01.2019. [online] Available at: <<http://speri.dept.shef.ac.uk/2019/01/03/capitalism-democracy-the-state/>> [Accessed 2 May 2021].
2. Catană, Ș., Toma, S.-G. and Grădinaru, C., 2020. The Economic and Social Impact of COVID-19 Pandemic:
3. Evidence from Romania. "Ovidius" University Annals, Economic Sciences Series, 20(2), pp.273-277. [online] Available at: <<https://stec.univ-ovidius.ro/html/anale/RO/wp-content/uploads/2021/03/Section%203/13.pdf>> [Accessed 1 June 2021]
4. Fortune Magazine, 2020. The World at a Crossroads. How China's rise will reshape the post-pandemic order. August/September, 182(1).

5. Fortune Media IP Limited, 2020. Global 500. [online] Available at: < <https://fortune.com/global500/> > [Accessed 1 June 2021]
6. Fortune Media IP Limited, 2020. Methodology for Global 500. [online] Available at: < <https://fortune.com/franchise-list-page/global-500-methodology-2020> > [Accessed 1 June 2021].
7. Grădinaru, C. and Toma, S.-G., 2018. The largest corporations in the world in the period 2016-2017. Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, Special Issue, pp.68-73. [online] Available at: <https://www.utgiu.ro/revista/ec/pdf/2018-SPECIAL/08_Gradinaru.pdf> [Accessed 1 June 2021].
8. Hileman, J., Kallstenius, I., Häyhäm T., Palm, C. and Cornell, S., 2020. Keystone actors do not act alone: A business ecosystem perspective on sustainability in the global clothing industry. PLoS ONE, 15(10), pp.1-17. [online] Available at: <<https://doi.org/10.1371/journal.pone.0241453>> [Accessed 1 June 2021].
9. Kahya, M. D. and Seneler, Ç., 2018. Geographical Distance Challenges in Distributed Agile Software Development: Case Study of a Global Company. 2018 3rd International Conference on Computer Science and Engineering (UBMK), pp.78-83. [online] Available at: <<https://doi:10.1109/UBMK.2018.8566591>> [Accessed 1 June 2021].
10. Österblom, H., Jouffray, J.-B., Folke, C., Crona, B., Troell M, Merrie, A., et al., 2015. Transnational Corporations as ‘Keystone Actors’ in Marine Ecosystems. PLoS ONE, pp.1-15. [online] Available at: < <https://doi.org/10.1371/journal.pone.0127533> > [Accessed 1 June 2021].
11. Pohludka, M., Stverkova, H. and Ślusarczyk, B., 2018. Implementation and Unification of the ERP System in a Global Company as a Strategic Decision for Sustainable Entrepreneurship. Sustainability, 10(8), pp.1-16. [online] Available at: <<https://doi.org/10.3390/su10082916>> [Accessed 1 June 2021].
12. Ram, K., 2021. A Unified Adaptive Theory of Global Business Culture. In: B. S. Thakkar, ed 2021. Culture in Global Businesses. London: Palgrave Macmillan, Cham. pp.63-75.
13. Tohänean, D. and Toma, S.-G., 2018. Innovation, a key element of business models in the Fourth Industrial Revolution. Network Intelligence Studies, VI(12), pp.121-130. [online] Available at: <http://seaopen-research.eu/Journals/articles/NIS_12_6.pdf> [Accessed 22 May 2021].
14. Toma, S.-G. and Marinescu, P., 2013. Global strategy: the case of Nissan Motor Compan., Procedia Economic and Finance, 6, pp.418-423. [online] Available at: <<http://www.sciencedirect.com/science/journal/22125671>> [Accessed 27 May 2021].
15. Toma, S.-G. and Marinescu, P., 2015. Strategy and change. Manager, 21, pp.145-150. [online] Available at: <<https://www.proquest.com/docview/1785750491/fulltextPDF/6EF6EC0540814A90PQ/1?accountid=15533>> [Accessed 21 May 2021].
16. Toma, S.-G., Marinescu, P. and Grădinaru, C., 2016. Global competitiveness and innovation in the Period 2013-2015. Ovidius University Annals, Economic Sciences Series, 16(1), pp.114-119.
17. Toma, S.-G., Marinescu, P. and Grădinaru, C., 2017. In search of the global economic supremacy: China versus USA. Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, Special Issue, 1, pp.227-233.
18. Toma, S.-G. and Grădinaru, C., 2018. Chinese economic pragmatism: The Belt and Road Initiative. Ovidius University Annals, Economic Sciences Series, 18(2), pp.70-74.

CUSTOMER EXPERIENCE: A CONCEPTUAL OVERVIEW

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

E-mail: tomagsorin62@yahoo.com

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

E-mail: catana.stefan90@yahoo.com

Abstract: Customer experience constitutes an important concern of the top management of business organizations as it represents a prerequisite for achieving their long-term objectives. In this respect, knowing, analysing, and managing the customer experience has proved to be a highly effective tool for any company in obtaining and preserving its competitive advantage. The paper aims to define the concept of customer experience from multiple perspectives and outline its main characteristics. In order to achieve the goals of the paper, the authors employed a research methodology based on collecting, analysing, and synthesizing quantitative information from numerous secondary sources of data through desk research. The paper shows that customer experience constitutes a multidimensional, complex, and context-based concept.

Key words: customer experience, customer, concept, business organization

JEL Classification: M00, M31

1. Introduction

The last decades have witnessed the rapid expansion of the globalization process all over the world. In the age of uncertainty, companies are competing in an increasingly turbulent environment (Toma, 2013; Toma and Marinescu, 2013; Toma and Marinescu, 2015). In order to face the numerous and various challenges raised by a plethora of factors, such as disruptive technologies, hyper-competition, digitalization, demographic increase, ageing society, or climate change, companies have to identify, design and implement innovative business models and successful strategies in the Fourth Industrial Revolution (Tohănean and Toma, 2018; Toma and Tohănean, 2018; Tohănean, Toma and Dumitru, 2018). This is why different methods, techniques, and models from key disciplines (e.g., management, marketing, quality management, strategy, finance, accounting) have been used by managers to achieve business excellence (Grădinaru, Toma and Marinescu, 2016; Toma and Naruo, 2017).

Customer experience constitutes an important concern of the top management of business organizations as it represents a prerequisite for achieving their long-term objectives. In this respect, knowing, analysing, and managing the customer experience has proved to be a highly effective tool for any company in obtaining and preserving its competitive advantage. This is why delivering memorable and emotionally engaging customer experiences has become a new differentiator (Shaw and Ivens, 2002; Mascarenhas, Kesavan, and Bernacchi, 2006) and, therefore, one of the key objectives of business organizations from different industries, such as the hospitality and tourism industry (Hwang and Seo, 2016; Kenyon, Robinson and Musgrave, 2020). In other words, "the ability to create comfortable, intimate, exciting, and rewarding life experiences for customers is the crucial organizational skill for our time" (Tisch and Weber, 2007, p.19).

In recent years customer experience has received greater consideration both in the scientific and business environment. On the one hand, scholars consider that customer experience already represents a challenging research topic. On the other hand, practitioners have understood that customer experience constitutes an area of intense competition for business organizations.

The paper aims to define the concept of customer experience from multiple perspectives and outline its main characteristics. The paper is structured as follows: the second section reviews the literature. The research methodology is displayed in the third section of the paper. The fourth section exhibits the results of the research. The paper ends with conclusions.

2. Literature review

As a rather modern phenomenon, customer experience has gained increased attention from many researchers, especially since the beginning of this century. It has emerged in the 1980s and been studied from different perspectives and in various contexts, such as restaurants, hypermarkets, hotels, hospitals, or stadiums. The customer experience literature has significantly expanded and, therefore, several conceptual models have appeared in the last decades.

Customer experience represents not only a challenging but also a complex concept. This is why defining it has remained a rather difficult attempt. Without an agreed-upon definition, customer experience is:

- the „aggregate and cumulative customer perception created during learning about, acquiring, using, maintaining and disposing of a product or service” (Carbone and Haeckel, 1994, p.18).
- considered as „events that engage individual in a personal way” (Pine and Gilmore, 1999, p.12).
- “a blend of a company’s physical performance and the emotions evoked, intuitively measured against customer expectations across all moments of contact” (Shaw and Ivens, 2002, p.6).
- seen as „an evolution of the concept of relationship between the company and the customer” (Gentile, Spiller and Noci, 2007, p.397).
- „the internal and subjective response customers have to any direct or indirect contact with a company” (Meyer and Schwager, 2007, p.118).
- involves “the customer’s cognitive, affective, emotional, social and physical responses to retailer” (Verhoef, et al, 2009, p.32).
- „comprised of the cognitive, emotional, physical, sensorial, and social elements that mark the customer’s direct or indirect interaction with a (set of) market actor(s)” (De Keyser, et al, 2015, p.14).
- „a complex practice area that requires clear vision, the right tools, and great execution to succeed” (Griebeler, 2015, p.2).
- „the aggregate of feelings, perceptions and attitudes formed during the entire process of decision making and consumption chain involving an integrated series of interaction with people, objects, processes and environment, leading to cognitive, emotional, sensorial and behavioural responses” (Jain, Aagja and Bagdare, 2017, p.649).
- „a cognitive and affective state which arises from cultural meanings given to a set of interactions between a customer and an object” (Waqas, Hamzah and Salleh, 2021, p.139).
- defined as „your customers’ perceptions – both conscious and subconscious – of their relationship with your brand resulting from all their interactions with your brand during the customer life cycle” (SAS Institute, 2021, p.1).

Even though explaining customer experience is a rather relatively recent academic attempt there are a plethora of definitions in the literature. However, there is no consensus concerning what constitutes customer experience (Hwang and Seo, 2016) as its definitions have varied during the time (Gentile, Spiller and Noci, 2007).

3. Research methodology

In order to achieve the goals of the paper, the authors employed a research methodology based on collecting, analysing, and synthesizing quantitative information from numerous secondary sources of data through desk research. In this respect, the authors identified and gathered information from articles, reports and books found in electronic databases (e.g., Science Direct, Springer, Emerald) and libraries (e.g., the Central University Library Carol I of Bucharest).

4. Results and discussion

Starting from the above-illustrated definitions within the literature review, there are several key characteristics of the concept of customer experience that can be outlined. First, there is no universal definition of this concept as there are many approaches to customer experience that lead to various meanings of it. For example, some authors emphasize the role of customer involvement (Varshneya, Das and Khare, 2017) whereas others put the accent on context (Helkkula and Kelleher, 2010).

Second, customer experience represents a multidimensional concept (Skard, Nysveen and Pedersen, 2011), composed of several specific elements. Initially, researchers saw customer experience as an immersive consumption experience and identified five dimensions but later they added new dimensions (Table 1).

Table 1: The dimensions of the concept of customer experience

Authors	Dimensions
Fornerino, Helme-Guizon and Gaudemaris	<ul style="list-style-type: none"> • sensorial/perceptual • affective • physical • social • cognitive
Gentile, Spiller and Noci	<ul style="list-style-type: none"> • sensorial • emotional • cognitive • pragmatic • lifestyle • relational
Brakus, Schmitt and Zarantonello	<ul style="list-style-type: none"> • sensorial • affective • intellectual • behavioral
Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros and Schlesinger	<ul style="list-style-type: none"> • cognitive • social • affective • physical

Source: Fornerino, Helme-Guizon and Gaudemaris, 2006; Gentile, Spiller and Noci, 2007; Brakus, Schmitt and Zarantonello, 2009; Verhoef, et al, 2009

Third, there are some important features of the concept of customer experience as follows (Klaus, 2015; Jain, Aagja and Bagdare, 2017; Komulainen and Saraniemi, 2019):

- customer experience is omnipresent and occurs when consumers interact with a product and/or a service;
- it is crucial for any successful business as it is a driver of consumption;
- customer experience and value are two intertwined concepts;

- it represents a holistic concept;
- customer experience comprises various types of customer's responses (e.g., emotional) to the service provider;
 - it refers to the whole phases of the process of acquisition of a product and/or service: before, during and after the acquisition;
 - customer experience may be divided into four areas: process, outcome, time and location;
 - it involves co-creation by the participants as their interaction is inevitable.

Fourth, customer experience is basically a human phenomenon that occurs in different contexts that incorporates cognitive and affective states. More and more customers are expecting higher levels of satisfaction and, therefore, more pleasant experiences from the part of business organizations.

Conclusions

The past decades have witnessed an expansion of the literature associated with the concept of customer experience. Customer experience has become a subject of interest for many researchers and practitioners all over the world, especially since the beginning of this century.

The paper illustrates a conceptual overview of customer experience. It shows that customer experience constitutes a multidimensional, complex, and context-based concept. Also, the paper emphasizes some of the key features of customer experience by taking into account different perspectives. Further researches may identify other characteristics of customer experience and deepen the analysis of this concept.

REFERENCES:

1. Brakus, J. J., Schmitt, B. H. and Zarantonello, L., 2009. Brand experience: what is it? How is it measured? Does it affect loyalty? *Journal of Marketing*, 73(3), pp.52-68.
2. Carbone, L. P. and Haeckel, S. H., 1994. Engineering customer experience. *Marketing Management*, 3(3), pp.8-19.
3. De Keyser, A., Lemon, K. N., Klaus, P. and Keiningham, T. L., 2015. A framework for understanding and managing the customer experience. *Marketing Science Institute Working Paper Series 2015*, Report No. 15-121, pp.1-47. [online] Available at: <<https://www.msi.org/working-papers/a-framework-for-understanding-and-managing-the-customer-experience/>> [Accessed 28 May 2021].
4. Fornerino, M., Helme-Guizon, A. and De Gaudemaris, C. 2006. L'immersion dans une expérience de consommation: vers une échelle de mesure. *Proceedings of the XXIIth Congress de l'AFM, Nantes, May 2006*, pp.1-27. [online] Available at: <file:///C:/Users/Admin/AppData/Local/Temp/Session_1_-42_Limmersion_dans_une_experience_de_c.pdf> [Accessed 28 May 2021].
5. Gentile, C., Spiller, N. and Noci, G., 2007. How to sustain the customer experience: An overview of experience components that co-create value with the customer. *European Management Journal*, 25(5), pp.395-410.

6. Griebeler, J., 2015. Customer experience (CX): Metrics and key performance indicators. Oracle White Paper. [online] Available at: <<https://www.oracle.com/us/products/applications/cx-metrics-kpi-dictionary-1966465.pdf>> [Accessed 29 May 2021].
7. Grădinaru, C., Toma, S.-G. and Marinescu, P., 2016. Marketing mix in services. Ovidius University Annals- Economic Sciences Series, XVI(1), pp.311-314. [online] Available at: <http://stec.univ-ovidius.ro/html/anale/RO/wp-content/uploads/2015/03/ANALE-vol-16_issue_1_site.pdf> [Accessed 28 May 2021].
8. Helkkula, A. and Kelleher, C., 2010. Circularity of customer service experience and customer perceived value. *Journal of Customer Behavior*, 9(1), pp.37-53.
9. Hwang, J. and Seo, S., 2016. A critical review of research on customer experience management: Theoretical, methodological and cultural perspectives. *International Journal of Contemporary Hospitality Management*, 28(10), pp.2218-2246.
10. Jain, R., Aagja, J. and Bagdare, S., 2017. Customer experience- a review and research agenda. *Journal of Service Theory and Practice*, 27(3), pp.642-662.
11. Kenyon, A. J., Robinson, P. and Musgrave, J., 2020. *Managing Hospitality Experiences*. Boston, MA: CABI.
12. Klaus, P., 2015. *Measuring Customer Experience*. Basingstoke: Palgrave Macmillan.
13. Komulainen, H. and Saraniemi, S., 2019. Customer centricity in mobile banking: A customer experience perspective. *International Journal of Bank Marketing*, 37(5), pp.1082-1102.
14. Mascarenhas, O. A., Kesavan, R. and Bernacchi, M., 2006. Lasting customer loyalty: a total customer experience approach. *Journal of Consumer Marketing*, 23(7), pp.397-405.
15. Meyer, C. and Schwager, A., 2007. Understanding customer experience. *Harvard Business Review*, February, pp.117-126.
16. Pine, B. J. and Gilmore, J. H., 1999. *The Experience Economy*. Boston, MA: Harvard Business School Press.
17. SAS Institute, 2021. Customer experience management: What it is and why it matters. [online] Available at: <https://www.sas.com/en_us/insights/marketing/customer-experience-management.html> [Accessed 27 May 2021].
18. Shaw, C. and Ivens, J., 2002. *Building Great Customer Experiences*. Basingstoke: Palgrave Macmillan.
19. Skard, S., Nysveen, H. and Pedersen, P. E., 2011. Brand and customer experience in service organizations: Literature review and brand experience construct validation. Institute for Research in Economics and Business Administration Bergen, SNF Working Paper 09, pp.1-52. [online] Available at: <https://openaccess.nhh.no/nhh-xmlui/bitstream/handle/11250/166668/SNF_WP09_11.pdf?sequence=1&isAllowed=y> [Accessed 25 May 2021].
20. Tisch, J. M. and Weber, K., 2007. *Chocolates on the Pillow Aren't Enough: Reinventing the Customer Experience*. Hoboken, NJ: John Wiley.
21. Tohänean, D. and Toma, S.-G., 2018. Innovation, a key element of business models in the Fourth Industrial Revolution. *Network Intelligence Studies*, VI(12), pp.121-130. [online] Available at: <https://seaoopenresearch.eu/Journals/articles/NIS_12_6.pdf> [Accessed 31 May 2021].
22. Tohänean, D., Toma, S.-G. and Dumitru, I., 2018. Organizational performance and digitalization in industry 4.0. *Journal of Emerging Trends in Marketing and Management*, 1(1), pp.282-293. [online] Available at: <http://www.etimm.ase.ro/RePEc/aes/jetimm/2018/ETIMM_V01_2018_87.pdf> [Accessed 30 May 2021].

23. Toma, S.-G., 2013. *Economia Întreprinderii*. București: Editura Universității din București.
24. Toma, S.-G. and P. Marinescu, P., 2013. Global strategy: the case of Nissan Motor Company. *Procedia Economics and Finance*, 6, pp.418-423. [online] Available at: <<https://www.sciencedirect.com/science/article/pii/S2212567113001573>> [Accessed 2 April 2021].
25. Toma, S.-G. and P. Marinescu, P., 2015. Strategy and change. *Manager*, 21(1), pp.145-150. [online] Available at: <<http://manager.faa.ro/en/article/Strategy-and-Change~818.html>> [Accessed 1 April 2021].
26. Toma, S.-G and S. Naruo, S., 2017. Total Quality Management and business excellence: The best practices at Toyota Motor Corporation. *Amfiteatru Economic*, 19(45), pp.566-580. [online] Available at: <<https://www.econstor.eu/bitstream/10419/169089/1/aej-v19-i45-p566.pdf>> [Accessed 10 April 2021].
27. Toma, S.-G and Tohănean, D., 2018. Internet of Things, digitalization and the future of business models. *Strategii Manageriale*, IV(42), pp.130-137. [online] Available at: <http://www.strategiimanageriale.ro/images/images_site/articole/article_de634c42b4d3c952dc5005125c4e68df.pdf> [Accessed 30 May 2021].
28. Varshneya, G., Das, G. and Khare, A., 2017. Experiential value: a review and future directions. *Marketing Intelligence and Planning*, 35(3), pp.339-357.
29. Verhoef, P. C., Lemon, K. N., Parasuraman, A., Roggeveen, A., Tsiros, M. and Schlesinger, L. A., 2009. Customer experience creation: Determinants, dynamics and management strategies. *Journal of Retailing*, 85(1), pp.31-41.
30. Waqas, M., Hamzah, Z. L. B. and Salleh, N. A. M., 2021. Customer experience: A systematic literature review and consumer culture theory-based conceptualisation. *Management Review Quarterly*, 71, pp.135-176.

BEST PRACTICES OF SOCIAL ENTREPRENEURSHIP IN ROMANIA

~ MSc **Andra Modreanu** (University of Southampton)

E-mail: andra.modreanu@yahoo.com

Abstract: Nowadays, social entrepreneurship represents an ascendant topic of interest for academics, authorities and individuals. Thus, it may be perceived as a responsible business approach with significant contribution to a country's social and economic growth, especially for developing countries. Therefore, the aim of this study is to contribute to a better understanding of the current stage of social entrepreneurship in Romania by presenting key aspects related to the notion and its evolution, emphasizing also on the positive steps made towards developing an applicability of the concept. The research methodology was based on the collection and analysis of secondary data, respectively scientific articles, and relevant websites and books for the subject. Findings revealed the fact that social entrepreneurship in Romania is still in a transitional period, struggling between its totalitarian communist past and the present guided by the partnership established with the European Union, to evolve, learn, develop and grow as a country. Furthermore, Romania currently presents mostly traditional form of social entrepreneurship such as associations and foundations. Moreover, even in this situation with several pressuring social issues, Romania manages to slowly progress, and three important Romanian social enterprises have been presented as best practices in this paper to sustain the progression.

Key words: social entrepreneurship, Romanian social enterprises, European Union, Social Scoreboard

JEL: L26, L31, M10, I31

1. Introduction

Entrepreneurship represents one of the main engines of economic development and growth in a period of continuous change (Toma, Burcea and Papuc, 2011; Toma and Marinescu, 2015; Grădinaru, Toma and Papuc, 2017; Toma, Marinescu and Dogaru, 2017; Marinescu, et al, 2017; Toma, Marinescu and Constantin, 2020). It may be perceived as “a multifaceted phenomenon, being analyzed as a process, a resource or a state-of-being” (Toma, et al., 2014, p.1). Additionally, entrepreneurship can be described as a business activity with multiple contributions to both economic and social environment. Starting from creating new jobs, growing the country’s economy, enabling individuals to express themselves from a business perspective, to initiate change and solve both economic and social issues, entrepreneurship importance increased significantly in the past decade.

Social entrepreneurship represents a unique form of entrepreneurship due to its double contribution, respectively to the development of both social and economic environment through responsible practices and generating sustainable growth (Zainea, et al, 2020). Moreover, for developing countries especially, such as Romania which is struggling with several pressuring social issues, the concept may be perceived as a tool that can address the need of educating individuals regarding responsible behavior in the society and, simultaneously, it sustains the business environment (Lambriu and Petrescu, 2012).

Furthermore, as a member of the European Union, Romania has the duty to apply and progress in accordance with the requirements and expectations created by this partnership formed joining this economic union. Promoting and implementing social entrepreneurship and responsible business approaches signify objectives that the European Union has set for all its state members. In Romania currently this notion is at the stage of understanding and trial as findings of this paper also revealed.

Mostly presenting traditional forms of social entrepreneurship such as associations and foundations, Romania is progressing slowly towards a proper developing on social and economic level. Even in this context the country through its Romanian social entrepreneurs manages to achieve some positive results in this field and in this article several best practices of Romanian social enterprises are presented. The aim of this study is to contribute to a better understanding of the current stage of social entrepreneurship in Romania by presenting key aspects of the notion and its evolution, emphasizing also on the positive steps made towards developing this concept through best practices of Romanian social enterprises.

2. Literature review

Social entrepreneurship signifies an important part of a recently developed type of economy, respectively social economy (Hynes, 2009). The interest for social economy also known as the “third sector” has grown in the past decade due to its recognized contribution to social and economic development by changing business and managerial practices patterns established so far (Shaw and Carter, 2007).

Defining social entrepreneurship is still a work in progress task for researchers and institutions. The conceptual framework of social entrepreneurship represents a frequent approached

subject in the exiting literature. There are numerous definitions that can be used to capitalize on the distinctive characteristics of the notion, but none of them was been globally accepted as the common reference. The terms that are recurrently associated with the conceptual frame of social entrepreneurship can be consider as the following: the social entrepreneur, the opportunity, the social problem, the social mission, the entrepreneurial skills, the possible innovative solutions, the resources used, the change and the value creation. The social entrepreneur can be perceived as the initiator of change, being the one who discovers an opportunity to address a certain social problem. Solving this social issue becomes the mission under which the agent operates. In this regard, he uses entrepreneurial skills to obtain an innovative solution that may help him achieve its social objectives. Furthermore, the social entrepreneur identifies, attracts, uses and capitalize on the necessary resources through an economic entity. If the proposed solution and the resources are properly used, then a beneficial change takes place at social level.

Social enterprises can be considered those that: employs vulnerable people for the purpose of social reintegration; reinvest the profit in social activities; enterprises that perform social activities identified as needs in a certain community and which otherwise could not be satisfied (Fondul Social European, 2016, p.36). The typology of the social entrepreneurship can be grouped in three categories, respectively: "entrepreneurial not-for-profit economic entities (for instance foundations, association, charities); public sector social enterprises which are typically supported by the state and/or municipal organizations; social co-operatives which adapt a multi-stakeholder governance model to connect to communities and improve welfare provision and, finally, social business which engage in entrepreneurial activities to adapted private sector business models and market-based strategies to go beyond corporate social responsibility by running an enterprise that adopts a social mission" (Kraus, et al., 2017, p.990). Moreover, social entrepreneurship "integrates for-profit, non-profit and hybrid forms of value creation to address social problems" (Mouraviev and Avramenko, 2020, p.125).

The evolution of social enterprises has been marked by two important events. First one refers to Ashoka, the first non-profit organization established in the United States of America in 1980 when Bill Drayton, also considered the founder of social entrepreneurship, has committed to supporting social entrepreneurs with outstanding results in the field to maximize the positive social impact. Thus, the transition is made from the definition of the concept of social entrepreneurship, to that of its implementation through NGOs. Later, the concept of social entrepreneurship has expended to Europe. Social cooperatives regulated by law 381/91 represented the first form of social entrepreneurship manifestation in Europe. They were established in 1991, in Italy and from there these forms of social enterprises have gradually expanded to the rest of the countries (Bonfanti, et al., 2016).

Nowadays, social entrepreneurship applicability depends on several factors. Starting from the willingness and individual desire to make a positive change, improving life conditions for others, to the nation's possibility to act and support economic growth through social development, giving its current stage, developing or developed country, and history, social entrepreneurship's suitability embraces different phases of evolutions. It may be linked with other concepts such as social responsibility and sustainability (Toma, 2008; Marinescu, Toma and Constantin, 2010; Toma, Stanciu and Irimia, 2011; Imbrișcă and Toma, 2020).

An overview of social entrepreneurship in Romania

Romania, a developing country, has adopted the concept of social economy and social entrepreneurship since 2007 when it became a member of the European Union (EU) (Orhei, et al., 2012, p.757). Some types of social enterprises have been present in Romania even before the union, more exactly during the communist period (for instance, cooperatives and mutual societies associations), but only after the revolution this new form of economy started to be recognized and considered as an opportunity to develop and grow the business environment (Orhei, et al., 2012, p.758). More precisely, the Parliament of Romania adopted the law no. 219 from 23/07/2015 regarding social economy, stating that: "the purpose of this law is to regulate the field of social economy, to establish the measures of promoting and to support the social economy. Thus, this law regulates the attestation conditions implied by the public authorities', social enterprises and social insertion enterprises" (Parlamentul României, 2015, p.1). Moreover, the social enterprises giving the enacted law, respectively Article no. 3, may be described as the following: "first degree cooperative societies, credit cooperatives, associations and foundations, the mutual assistance houses of the employees, pensioners' mutual assistance houses, agricultural companies, federations, unions, any other categories of juridic individuals that comply, according to the legal acts of establishment and organization, cumulatively, the definition and principles of the social economy provided in this law" (Parlamentul României, 2015, p.1).

The most used definitions for exposing the concept of social enterprises are those provided by the Department of Trade and Industry (DTI), a United Kingdom government department, and the European Research Network (EMES). From the DTI's point of view (2002), these economic agents can be defined as: "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners" (Orhei, et al., 2012, p.756). EMES (2012) extended the explanation of social enterprises, characterizing them as: "organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socio-economic activity" (Orhei, et al., 2012, p.756).

Social entrepreneurship in Romania can be analysed starting from two perspectives: traditional social economy organizations that are certified by the National NGO Register published by the Ministry of Justice and the evidence of social enterprises constituted according to the law 219/2015 accountable to the National Agency for Employment through the National Registry of Social Enterprises.

In Romania the most common form of social enterprises identified is represented by the associations with a cumulative of 81% of the non-governmental organizations type of social enterprises and 96,762 as a numerical value. Furthermore, 17% (19,981) have been allocated to foundations, 1% (1,458) to federations and 1% (764) to unions (Fondul Social European, 2020, p.27).

The highest percentage of associations, respectively 15% of their total declared number (14,514 as numerical value), has been registered in the capital of Romania, Bucharest. Afterwards, Cluj, Timiș, Brașov, Iași, Mureș and Sibiu, with more than 3,000 associations each came in the second place. The fewest associations were registered in Călărași (640) and Ialomița (435) (Fondul Social European, 2020, p.29).

Similar, Bucharest sustained most of the existing foundations in 2020 (approximately 3,000) (Fondul Social European, 2020, p.29). Even though most of the social entrepreneurship forms are present in the country's capital, an important fact is that the non-profit sector has constantly been developing in Romania, the non-profit contributing 1.59% to the GDP of the country and employing over 100,000 people, as evidenced by the Civil Society Development Foundation (CSDF) (Ashoka, 2019, p.19). Furthermore, another interesting aspect revealed by the study conducted by the Ashoka foundation (2019) regarding the evolution of social entrepreneurship in Romania represents the fact that most of the leaders from the non-profit sector are women, cumulating 53% of the social innovators. Additionally, they are mainly involved in education, social inclusion and organizations that carry out more cross-cutting activities.

On the other side, in January 2020, the National Registry of Social Enterprises included only 125 social enterprises, enrolled in 36 regions of the country (including Bucharest) (Fondul Social European, 2020, p.44). In each of these places have been registered between 1 and 12 enterprises. Maramureş has reported the highest number of social enterprises, followed by Iaşi with more than 10 social enterprises (Fondul Social European, 2020, p.44). Most of these social enterprises have been organized as associations (42%) or as limited liability societies (LLS, other categories of legal entities, 40%) (Fondul Social European, 2020, p.44). The remaining 8% is represented by foundations, mutual assistance houses, first degree cooperative societies or federations. This evolution is interesting because it demonstrates the growing number of production-oriented social enterprises that are, almost equally with the percentage of the traditional social associations which are oriented mostly towards social services, education and health. Regarding the number of employees, associations presented a higher number of employees compared with the limited liability societies, most probably because of their legal framework which has been created during 2015 and 2016 (Orhei, et al., 2012).

A possible answer regarding the small number of social enterprises recorded so far in the National Registry of Social Enterprises has been provided by the Ashoka Foundation (2019, p.19): "in 2015 it was estimated that 6,000 social enterprises operate in Romania, totalling a number of 19,065 employees in the sector. However, after the introduction of the Law on Social Economy in 2015, only 103 social enterprises were included by the National Registry of Social Enterprises, mostly due to the bureaucratic registration process and lack of fiscal incentives."

Unfortunately, the inefficient bureaucratic system is not the only problem in Romania. Some of the most pressuring issues of the country being the social ones. Ashoka Foundation (2019, p. 17) captured most of them and declared that: "Romania remains by far the country in the EU with the highest percentage of people in poverty or at risk of poverty: more than 25% of the population lives with less than \$5.50 a day (2011 purchasing power parity); due to the migration of Romanian individuals, between 2000 and 2017, Romania's population fell from 22.8 to 19.6 million, affecting the workforce and the growth. Moreover, 40% of 15-year-old Romanian students are functionally illiterate and early school-leaving – at 18.5 percent – is one of the highest in the EU".

The European Commission seems to approve these findings of Ashoka and further added through the Social Scoreboard indicators analysis: "Romania represents one of the countries with the highest number of 'critical situations' (6). Moreover, Romania has 3 'weak but improving'

situation, 2 'to watch', 2 'on average' and 1 of 'best performers'" (European Commission, 2020, p. 37).

Social entrepreneurship represents a relative new concept for Romania (Racolța-Paina, 2018). Indeed, there are many aspects that should be improved, starting from its legal framework, continuing with the approach of institutes regarding the encouragement of social entrepreneurship initiatives, the management strategy of the economic agents and the overall Romanian's behavior, perception and mentality. But some improvements have been made in the last years in this regard. Even though these were small and slow rated, they have contributed to a slightly progress of Romania's social and economic development and the European Union played an important role in this positive evolution.

3. Research methodology

The present study represents a quantitative research. It involves the collection and analysis of secondary primary data (scientific articles, existing books relevant for the topic and websites). The objective of this paper was to identify the evolution and current stage of social entrepreneurship in Romania by presenting several best practices in this regard. Therefore, the first step conducted in this research was finding relevant scientific journals and establishing the structure of the article. Well-known sources such as Emerald or ScienceDirect was used in this scope. Regarding the structure of the paper, it has been developed in accordance with other researchers specific for the analyzed subject. For instance, Mouraviev et. al (2020), Racolța-Paina (2018), Orhei et. al (2012), Lambriu and Petrescu (2012) followed a similar approach, namely starting from a short introduction of general aspects regarding social entrepreneurship (importance, definitions, components of the concept such as social entrepreneur and social enterprises, evolution in different regions), followed by illustrating the particularities of social entrepreneurship in Romania as member of the European Union and developing country with a communist heritage (evolution of social entrepreneurship, definitions, its current legislation and social enterprises forms and the presentation of Romanian's most pressuring social issue identified through the latest Social Scoreboard published by the European Commission).

Furthermore, findings reveled the fact that social entrepreneurship in Romania is still in a transitional period, struggling between its totalitarian communist past and the present guided by the partnership established with the European Union, to evolve, learn, develop and grow as a country. Also, even in this situation with several pressuring social issues, Romania manages to slowly progress and three Romanian social enterprises have been presented as best practices in this paper in order to sustain the progression made.

4. Results and discussions

Findings show that Romania has the traditional forms of social economy and social entrepreneurship. These results are in line with other studies conducted by researchers as Orhei (2012) or Shaw and Carter (2007). Thus, further development of this sector and new type of entrepreneurship depends on the European Commission, partnership which had a significant impact

for Romania, encouraging the country to pursue and embrace this concept. Papers written by Racolța-Paina (2018) and Lambriu and Petrescu (2012) also sustain this dependence relationship between the evolution of social entrepreneurship in Romania and the practices and policies adopted by the European Commission.

Although Romania has not benefited yet from an accelerated growth regarding the practice of social entrepreneurship, the country is slowly improving its social economy, having some impressive best practices for social entrepreneurship. Such a successful example may be considered the project initiated by the Romanian-American Foundation, the Foundation for Partnership and the Center for Protected Areas and Sustainable Development from Bihor regarding the Meziad Cave. The cave has benefited from ecological restoration with the help of high-quality technologies and tourist arrangement in accordance with ecological requirements. Inside of this impressive tourist objective were arranged a mining museum, a crystal reservation, but also mining galleries and caves ones. This local jewel represents one of the oldest and most visited Romanian tourist objectives with several thousand visitors annually from the Apuseni Mountains and a protected natural area. The social enterprise, thus formed, contributes not only to the sustainable and responsible development of the tourism from Romania, but also to the creation of jobs for the members of the local community and the capitalization of local crafts by sustaining the practice of selling souvenirs at the entrance of the cave. The Meziad Cave represents an important proof of social implication and collaboration for the preservation of local traditions, the sustainable capitalization of the natural environment and the supporting of the community and its individuals.

Furthermore, the Urban Center for Good Initiatives (CUIB) founded by the Better Association from Iași is the first social entrepreneurship project from Romania which covered several dimensions by opening a bistro, a store and a space for organizing events. In principle, CUIB promotes a healthy and sustainable lifestyle. The project also addresses individual needs of accessing healthy food, environmentally friendly ingredients and affordable products, as well as promoting the community's interests by supporting the local economy, raising awareness and educating its members. In addition, CUIB paid special attention to the protection of the natural environment and to the reduction of its impact among it. According to the center's website, its main objectives include: "to become the first restaurant from Romania and the first store from Iași that will be certified as Zero Waste; minimizing food miles from the farm to the plate; creating a circular economy model for the HORECA sector; laying the foundations of the first food bank in Iași" (CUIB, 2013). Since its establishment and until now, CUIB stated that: "they have offered for no less than approximately 27,000 unique customers, water without plastic, food without meat, local products, fair coffee and teas, natural juices, organic wines, craft beers, discounts for cyclists and other environmentally friendly consumer alternatives. They have reduced their carbon footprint by more than 10 times compared to common social / commercial spaces, prevented more than 11,000 packages from reaching the landfill and recovered at least a few more, saving at least 23 million liters of water and avoided the consumption of over 1,350 living beings" (CUIB, 2013). In addition, the Urban Center for Good Initiatives provides financial support for at least 20 beneficiaries (15 children with severe disabilities, 5 adults with disabilities) who were guided to the process of creating hand made objectives, and at least another 20 social enterprises sold their

products within the center. Giving the presented fact, The Urban Center for Good Initiatives may be perceived as an important step toward conscious consumption in Romania and environmental protection.

Moreover, the Crafts Caravan constitutes a social enterprise created by the Gaspar, Baltasar and Melchior Association which operates in the culture and education domain. This social enterprise offers extracurricular activities and workshops for everyone to converse traditions and keep alive the memory of Romanian practices of another time. The Crafts Caravan its mobile and equipped with the necessary instruments for three crafts: pottery, blacksmithing and weaving. Additionally, other activities can be added such as: painting on ceramic vessels and linocut. This social enterprise provides jobs for six craftsmen from the village of Piscu, located at 36 kilometers from Bucharest. Besides the incomes accumulated practicing workshops the Caravan also participates in events outside the native village, promoting the Romanian traditions to a larger public. Most of the gain thus obtained is directed towards the development of the local community. It can be stated, due to the provided contribution, that the Caravan of Crafts represents a significant supporter of the local community, as well as a true protector of the oldest and original Romanian professions.

Even though Romania has a long way to follow regarding the applicability of social entrepreneurship, the necessary basis for its development has begun to be built starting from these types of changing initiatives, in conformity with the European Commission's expectations.

5. Conclusions

Social entrepreneurship understanding and implementation is a work in progress task for Romania. It can be stated that the country embraced a new stage of development in this regard by adopting law no. 219/2015. Romania presents mostly traditional social forms of enterprises, respectively from the not-for-profit domain, but lately it has been noticed a slightly tendency of association to self-govern by producing services and goods to support its social mission.

Relatively little information can be found regarding social entrepreneurship in Romania and very few studies have been conducted to this purpose. Social entrepreneurship may constitute an opportunity for Romania to address and solve its pressuring social issues by developing through responsible economic and social growth. Important to mention is that Romania needs a new strategy regarding the social entrepreneurship subject. As a starting point, the legal framework and the bureaucratic registration process for social enterprises should be revised by the authorized institutions as the study conducted by Ashoka Foundation also suggested.

Moreover, the concept benefits from increased interest among Romanian individuals, institutions and academics due to its possible contribution at social and business level. Social enterprises even though they are progressing slowly, major changes have been done to support local communities, conserve Romanian traditions and protect the environment. These facts have been outlined in other studies conducted in this scope and supported by the outcome of the present paper. As social entrepreneurship is a relatively new concept for Romania and there are not many studies regarding this topic. Therefore, further research is required to develop a proper understanding and applicability of the notion.

REFERENCES:

1. Ashoka, 2019. Ashoka Romania Impact Report. [online] Ashoka. Available at: <<https://www.ashoka.org/en-us/story/ashoka-romania-impact-report-2019>> [Accessed 27. 04.2021].
2. Bonfanti, A., Battisti, E. and Pasqualino, L., 2016. Social entrepreneurship and corporate architecture: evidence from Italy. *Journal of Management Decision*, [e-journal] 54(2), pp.390-417.
3. CUIB, 2013. CUIB Traseul nostru. [online] Available at: <<https://incuib.ro/#traseu>> [Accessed 28. 04.2021].
4. European Commission, 2020. Romania Social Scoreboard indicators analysis. European Commission. [online] Available at: <<https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-744-F1-EN-MAIN-PART-1.PDF>> [Accessed 27.04.2021].
5. Fondul Social European, 2016. Antreprenor în economia socială. Suport de curs. Fondul Social European. [online] Available at: <<https://afaceridebine.ro/sites/default/files/Suport%20Curs%20-%20Antreprenor%20in%20Economia%20Sociala%20-%20forma%20finala.pdf>> [Accessed 26.04. 2021].
6. Fondul Social European, 2020. Antreprenoriatul socia- Soluția pentru o economie durabilă. [online] Fondul Social European. [online] Available at: <<https://assed.eu/analiza-regionala-a-economiei-sociale/>> [Accessed 27.04.2021].
7. Grădinaru, C., Toma, S.-G. and Papuc, R., 2017. Entrepreneurship in the world: The analysis of the Global Entrepreneurship Index in the period 2015-2017. *Ovidius University Annals- Economic Sciences Series*, XVII(2), pp.14-18.
8. Hynes, B., 2009. Growing the social enterprise – issues and challenges”. *Social Enterprise Journal*, [e-journal] 5(2), pp.114-125.
9. Imbrișcă, C. and Toma, S.-G., 2020. Social responsibility, a key dimension in developing a sustainable higher education institution: The case of students’ motivation. *Amfiteatru Economic*, 22(54), pp.447-461.
10. Kraus, S. et al., 2017. Social entrepreneurship orientation: development of a measurement scale. *International Journal of Entrepreneurial Behavior & Research*, [e-journal] 23(6), pp.977-997.
11. Lambru, M. and Petrescu, C., 2012. Trends and Challenges for Social Enterprises in Romania. *International Review of Social Research Journal*, [e-journal] 2(2), pp.163-182.
12. Marinescu, P., Toma, S.-G. and Constantin, I., 2010. Social responsibility at the academic level. Study case: the University of Bucharest. *Studies and Scientific Researches- Economics Edition*, 15, pp.404-410. [online] Available at: <<http://sceco.ub.ro/index.php/SCECO/article/view/147/147>> [Accessed 27.04.2021].
13. Marinescu, P., Toma, S.-G., Miulescu, G.-F. and Grădinaru, C., 2017. Entrepreneurship: from education to innovation. *Manager*, 26, pp.146-156. [online] Available at: <<https://www.proquest.com/docview/2213790065/fulltextPDF/48628E5EFFEF4FCBPQ/1?accountid=15533>> [Accessed 27.04.2021].
14. Mouraviev, N. and Avramenko, A., 2020. Social and Community-centred Entrepreneurship: Developing Opportunities for Deprived Communities. In: *Entrepreneurship for Deprived Communities. Developing Opportunities, Capabilities and Enterprise Culture*. Bingley: Emerald Publishing Limited, pp.125-162.
15. Orhei, L., Bibu, N. A. and Vinke, J., 2012. The competence of social entrepreneurship in Romania. A profile from experts in the field. *Journal of Managerial Challenges of the Contemporary Society*, 4, pp.73-79.
16. Orhei, L. E., Bibu, N. and Vinke, J., 2012. The Social Enterprise In Romania. An European Perspective On Their Current Situation. *Annals of Faculty of Economics*. pp. 756-762. [online] Available at: <file:///C:/Users/Student/Downloads/The_Social_Enterprise_In_Romania_An_European_Persp.pdf> [Accessed 27.04.2021].

17. Racołța-Paina, N. D., 2018. Challenges for the development of social entrepreneurship in Romania. On-line Journal Modelling the New Europe. pp.160-182.
18. Parlamentul României, 2015. LEGE Nr. 219 din 23 iulie 2015privind economia socială. Parlamentul României. [online] Available at: <https://mmuncii.ro/j33/images/Documente/Familie/EconomieSociala/Legea219_2015.pdf> [Accessed 27.04.2021].
19. Shaw, E. and Carter, S., 2007. Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes. *Journal of Small Business and Enterprise Development*, [e-journal] 14(3), pp.418-434.
20. Toma, S.-G., 2008. Social responsibility and corporate citizenship in 21st century. *Amfiteatru Economic*, 10(23), pp.80-85.
21. Toma, S.-G., Stanciu, C. and Irimia, E., 2011. Landmarks in the evolution of the social responsibility of organizations in the twentieth century. The International Scientific Session CKS 5th edition 2011, Nicolae Titulescu University, pp. 1352-1360. [online] Available at: <<https://core.ac.uk/download/pdf/25886981.pdf>> [Accessed 27.04.2021].
22. Toma, S.-G., Burcea, M. and Papuc, R., 2011. The effects of the economic and financial crisis on the Romanian entrepreneurship. *Ovidius University Annals- Economic Sciences Series*, XI(2), pp.162-166.
23. Toma, S.-G., Grigore, A.-M. and Marinescu, P., 2014. Economic Development and Entrepreneurship. *Procedia Economics and Finance*, [e-journal] 8, pp.436-443.
24. Toma, S.-G. and P. Marinescu, P., 2015. Strategy and change. *Manager*, 21(1), pp.145-150. [online] Available at: <<http://manager.faa.ro/en/article/Strategy-and-Change~818.html>> [Accessed 1 April 2021].
25. Toma, S.-G., Marinescu, P. and Dogaru, I., 2017. Entrepreneurial spirit and innovation. *Proceedings of the 11th International Management Conference*, 11(1), pp.536-541.
26. Toma, S.-G., Marinescu, P. and Constantin, I., 2020. Determinants of entrepreneurial intentions: the case of Southern Romania. *Proceedings of the 12th International Conference on Business Excellence*, 14(1), pp.111-123.
27. Zainea, L. N., Toma, S.-G., Grădinaru, C. and Catană, Ș., 2020. Social entrepreneurship, a key driver to improve the quality of life: The Case of TOMS Company. *Business Ethics and Leadership*, 4(3), pp.65-72.

SUSTAINABLE CITIES: AN OVERVIEW

~ Ph. D. Student **Nicoleta T. Petrică** (The Bucharest University of Economic Studies, Bucharest, Romania)

E-mail: nicoleta.petrica92@yahoo.com

Abstract: The purpose of this paper is to analyze and highlight the essential role and importance of sustainable development in harmony with the environment, in accordance with all approvals in place without endangering the integrity of the environment, natural protected areas, natural habitats, wild flora and fauna. It is increasingly evident that various challenges facing urban areas - economic, climatic, social, demographic and environmental - are closely interlinked and success in urban development can only be achieved through an integrated approach. Most cities produce countless current energy waste and inefficiency. For cities to find a place in the future of the Green Planet, they must transform into pure entities. Among the many actions that a city can take are: urban planning to ensure a moderate density and air quality, efficient public transport system that can replace the individual car, promotion of culture and traditions, integrating disadvantaged people and stimulate people that have potential, encouraging sustainable businesses and restricting large polluters, etc. In 1994, many European cities have signed the Aalborg Charter of European Cities & Towns Towards Sustainability, which respects the principles of Agenda 21 and have the objective of creating the framework for sustainable development of urban areas.

Key words: sustainable development, integrated approach, promoting culture, sustainable business, smart city

JEL: O1, O44, R11, Q01, Q56

1. Introduction

Until now, economic growth was synonymous with the use of natural resources. This led to a “resource crisis” that could lead to shortages and rising prices. Their excessive use also determined the amplification of the pollution phenomenon. The society reacted. This is how new concepts and relationships among them have emerged, such as ecological economy, green economy, corporate citizenship, social responsibility, smart and sustainable city, sustainable development, or circular economy (Toma, 2008; Marinescu, Toma and Constantin, 2010; Toma, Stanciu and Irimia, 2011; Zainea, et al, 2020), but also solutions to the multiple problems of humanity, which is constantly looking to strategically solve them in a period of continuous change (Toma and Marinescu, 2015). An example is how to build a green economy in connection with sustainable, green, and innovative business models (Toma, Marinescu and Grădinaru, 2016; Tohănean and Toma, 2018; Toma and Tohănean, 2019). Decisions must be made taking into account the total cost, not just the financial cost of an activity. Therefore, let’s see the whole, not just the part (European Commission, 2015).

For an even clearer picture, this paper will try to resort to a detailed research. In a “brown” economy, the cost of cutting down a forest includes only the costs of purchasing land, hiring labor, buying equipment, and manufacturing the final product. In the green economy, however, the total cost of cutting down a forest includes, in addition to the economic cost, the environmental cost and the social cost.

Our consumption of energy and food, buildings and transport has a negative impact on the environment. Improving the construction and use of buildings - for example - could reduce our final energy consumption by 45%, greenhouse gas emissions by 35% and water consumption by up to 30% (NIST, 2014).

Information is important, because more and more citizens of the planet are migrating to cities, so they need houses. Today, 60% of the Earth’s population lives in urban areas. By 2025, 34 cities around the world will have more than 10 million inhabitants. There are currently 26 such cities in the world, and 15 are in developing countries. The United Nations Environment Program (UNEP, 2017) informs us that cities:

- occupies 3% of the Earth’s surface
- consumes 75% of natural resources
- produces 80% of the world’s gross domestic product
- produce 50% of the world’s waste
- releases 60 to 80% of greenhouse gases into the atmosphere.

The aim of this paper is to illustrate the sense of a term that is gaining in popularity: the sustainable city. This paper explores the literature through definitions and methodology and shows an overview of the main solutions towards a sustainable city or community.

2. Literature review

In 1972, the Stockholm Environment Conference (Sohn, 1973) raised, for the first time and in a serious matter, the issue of environmental degradation as a result of human activities. In 1983,

following a resolution adopted by the United Nations General Assembly, the World Commission on Environment and Development (WCED), headed by Gro Harlem Brundtland, began its work. In 1985, the hole in the ozone layer above Antarctica was discovered, and a year later, the Chernobyl catastrophe occurred.

In 1986, the WCED Brundtland Report was published, entitled „Our Common Future“, which also gave the most cited definition of sustainable development – „Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs“. The document acknowledged that economic development could not be stopped, but announced that strategies needed to be changed so that they were in line with the planet’s limited resources. The documents try to reconcile two human aspirations: economic and social development, respectively environmental protection. The conclusions of the meeting can be summarized in several ideas:

- problems should be treated as close as possible to where they occur
- every decision must be modifiable, reversible
- the needs of the current generation must not compromise future generations
- it is better to prevent, instead of waiting for it to happen (Brundtland Report, 1987).

The present research explored in this section the history behind sustainability terminology. In the following sections, it is presented the evolution of this conceptualization to its particular applications involving a diversity of insights from experts. Such an accentuation helps to better understand deployment of the concept which recently is seen as a basis of what it “should be”, more of an idealistic, untouchable action-plan, rather than a framework on the actualities of “what exists” case study that are empowering and can be used as good practices.

3. Research and methodology

This paper describes different methods and solutions for a sustainable city by having a holistic approach with a focus on transitioning to a smart city. Urban cities face many challenges, especially when a city has a dense population for which is needed a local strategy. Certain elements contribute to the scientific research, but further analysis is required for a broad economical, social and environmental perspective in order to be considered and included in municipalities as concrete projects/targets.

4. The solutions proposed by the „green economy“ concept

A study initiated by the World Wide Fund for Nature shows that in Europe (2009), green economic activities provide 3.4 million jobs, compared to 2.8 million in polluting industries: mining, oil and gas, electricity from fossil fuels, cement, metalworking.

For urban development, the green economy proposes and supports:

- replacement of energy from fossil fuels with renewable energy sources
- green buildings with partial or total energy autonomy (BREEAM, etc.)
- wastewater recycling and rainwater collection
- waste management (prevention, reuse and recycling)

- transport (development of public transport and alternative options; use of alternative fuels)
- land management: creation of green areas; regeneration of abandoned areas (Babonea and Joia, 2012).

In 1994, several European cities signed in Aalborg, the „Charter of European Municipalities and Cities for Sustainability” which respects the principles of the Local Agenda 21.

4.1. Sustainable waste

Between 1990 and 1995, the amount of waste generated in the European Union increased by 10% according to OECD sources. Most waste is incinerated or deposited in landfills (67%). Both methods are harmful to the environment. The OECD estimated that compared to 1995, in 2020 45% more waste was generated. That is why the EU has set waste management, prevention, reuse, recycling, recovery („waste hierarchy”) and monitoring objectives. Every year, the EU throws away 5.5 billion euros worth of recyclable waste, such as paper, bottles, plastic, aluminum and steel. If they were recycled, the production of 148 million tonnes of carbon dioxide would be avoided annually. In Europe, more than 500,000 jobs would be created if state members recycled 70% of the waste they produce (Institutul de Economie Mondială, 2019).

4.2. The compact city

The compact city has a higher population density per unit area. Thus, if we compare two large metropolises, Vancouver (11,413 inhabitants / km²) and Paris (48,208 inhabitants / km²), we can see that the French city is developed vertically and not horizontally. Hence the attribute of „compact city”. The density of Canadians is only 23% of that of the French.

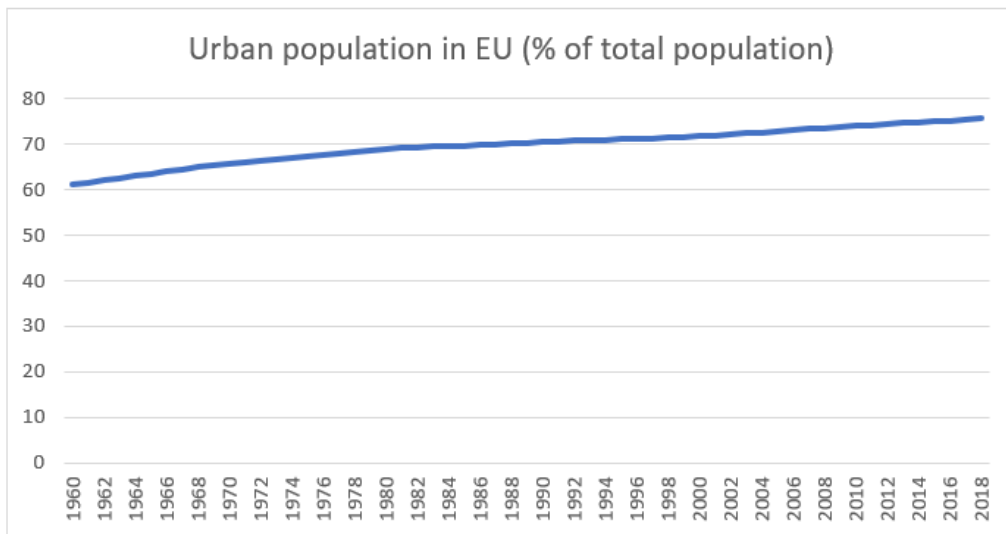
We can also analyze the urban concentration and the area around it. Athens has 3.4 million inhabitants, on a total area of 1,704 km², but only 432 km² (25%) is the core of the metropolis. On the rest of the surface, the population density is very low. The same fact, even worse, we find in the case of the city of Atlanta which has 4.6 million inhabitants, a total area of 9,613 km², of which 3,787 km² (40%) is the crowded area (OECD, 2016).

4.3. Smart cities and intelligent communities

The smart component of a city has evolved rapidly in recent years from a possibility to a need, included in urban development strategies. Statistics and forecasts of experts in demography and urbanism predict that the world’s population will double by 2050, so starting from this premise we see more and more efforts to transform systems and communities through smart solutions in response to problems related to scarce resources, obsolete networks, limited capacities, urban agglomeration, safety, the need for an integrated management system, etc.

In Europe, there is an ascendent trend related to urban population. In the below figure (Fig. 1.) we can see that starting from 1960 to 2018, the population has shifted from rural areas to urban ones.

Figure 1. Level of urban population % in EU, 1960-2018



Source: Author's own processing, data provided by Index Mundi, 2021

According to Index Mundi, the urban population in EU was in 1960 at its lowest value of 61.21%, whereas in 2018 was of 75.67%.

In the context of increasing urbanization, the EU and the Member States consider cities to be “laboratories for a more dynamic and digital Europe”, in which measures can be taken to generate growth accompanied by employment and social development. Based on these statements, cities and local communities need to start thinking ahead and planning on how to become environmentally friendly, citizen-oriented, how to use resources rationally, how to generate revenue in parallel with the implementation of smart projects. From this point of view, IT&C technology is one of the few options that can help cities become sustainable, efficient and modern.

Although there are several definitions of the concept of smart city, conceptual variants are common with alternative synonyms to „smart“: „intelligent“, „digital“, „tech“. A few of these definitions are reported in Table 1, where different meanings are given to the „smart city“ concept.

Table 1: Definitions of smart city

Definition	Author
Smart community – a community which makes a conscious decision to aggressively deploy technology as a catalyst to solving its social and business needs – will undoubtedly focus on building its high-speed broadband infrastructures, but the real opportunity is in rebuilding and renewing a sense of place, and in the process a sense of civic pride. [...]. Smart communities are not, at their core, exercises in the deployment and use of technology, but in the promotion of economic development, job growth, and an increased quality of life. In other words, technological propagation of smart communities isn't an end in itself, but only a means to reinventing cities for a new economy and society with clear and compelling community benefit.	Eger, 2009
A city well performing in a forward-looking way in economy, people, governance, mobility, environment, and living, built on the smart combination of endowments and activities of self-decisive, independent and aware citizens. Smart city generally refers to the search and identification of intelligent solutions which allow modern cities to enhance the quality of the services provided to citizens.	Giffinger, et al., 2007
A city connecting the physical infrastructure, the IT infrastructure, the social infrastructure, and the business infrastructure to leverage the collective intelligence of the city.	Harrison, et al., 2010
Smart city [refers to] a local entity - a district, city, region or small country-which takes a holistic approach to employ[ing] information technologies with real-time analysis that encourages sustainable economic development	IDA, 2012

Sources: Eger (2009), Giffinger, et al. (2007), Harrison, et al. (2010), IDA (2012)

Beside the technological and digital criteria, definitions incorporate other dimensions: environmental protection, governance, sustainable economy, and others. The top 10 smartest cities governments in the world for 2018/19 are presented in Table 2. This collection of the Top 10 Smart City Governments details the development of smart cities from a city government's perspective. It comprises a set of 10 effective elements that municipalities have found to be useful in the creation of smart cities, details the thoughts on how these tools are being used differently to achieve a range of results, and outlines the achievements of 10 leading governments that have guided their smart cities further.

Table 2: Top 10 smart city government rankings 2018/2019

Ranking	City	Total Score	Vision	Leadership	Budget	Financial Incentives	Support Programmes	Talent-Readiness	People Centricity	Innovation Ecosystem	Smart Policies	Track Record
1	London	33.5	3.1	4	3	4	3	3.1	3	4.1	3.1	3.1
2	Singapore	32.3	3	4	3	4.1	3	3.1	2	3.1	4	3
3	Seoul	31.4	3.1	3	3	2.2	3	3	4.1	3	3	4
4	New York	31.3	3	3	3	3.1	3	3.1	3	4	2	4.1
5	Helsinki	31.2	3	2	4	3.1	3	4	3	3.1	2	4
6	Montreal	30.1	3.1	3	3	4	3	2	3	3	3	3
7	Boston	29.6	3	3	3	2.1	3	3.1	3.1	3.1	3.1	3.1
8	Melbourne	29.5	3	3	3	2.1	3.1	3.1	4	3.2	2	3
9	Barcelona	29.4	3	3	3	2.1	2	3.1	3	3.1	3.1	4
10	Shanghai	29.2	3	3	4	3.1	3	2	2	3	2.1	4

Source: Eden Strategy Institute, 2020

There were selected 140 cities globally; the methodology were analyzed from existing city rankings, news articles, research articles and websites, thus, from 140 cities, Smart City Government ranked 50 best performing cities, in the present articles being presented the top 10 smartes cities based on three dimensions: scope, scale, integration. From these three dimensions, ten pathways derived to rank the Smart City Governments:

- Vision: a well-defined plan for construction a „smart city“
- Leadership: Town leadership that is committed to smart city initiatives
- Budget: Enough funds for smart city projects
- Financial: financial incentives are needed to succesfully enable private sector participation (grants, rebates, competitions, etc)
- Support Programmes: Private actors are encouraged to collaborate by in-kind programs (e.g. incubators, events, networks)
- Policies: A favorable policy climate for the growth of smart cities (e.g. data governance, IP protection, urban design)
- Ecosystems: To keep innovation going, there needs to be a diverse group of people involved
- People-centricity: people-centered vision
- Talent-readiness: training programmes to equip people with smart skills
- Track record: launching active smart city initiatives

In addition, interviews with city planners (mayors, city projects managers, etc) were conducted to validate information and ensure the study’s fairness.

4.3.1. Smart city core components

According to the relevant literature, we need to take into account the six verticals in accordance with the sustainability strategy of a city. Smart government, smart living, smart mobility, smart people, smart economy and smart environment.

- Smart Government uses the available technologies and coordonates the activities carried out by other municipalities by collaborating with interested parties, and equally, meets the needs of its own citizens, in order to improve both public services and trust in public institutions.

- Smart Economy is considered when the sector gathers innovation and productivity to adapt to the market. At the same time, it improves new business models capable of running both locally and globally.
- Smart Mobility aims to provide the most efficient, clean and fair transport networks for people, goods and data. Available technologies are used to collect and provide information to users, planners and transport managers, enabling the remodeling of urban mobility models, planning mechanisms and improving multimodality by improving the coordination and integration of different modes of transport.
- Smart Living is designed to facilitate the ICT technologies and focus on improving the accessibility for users, and is close to the needs of citizens (tourism, culture, medical services, security, etc.).
- Smart People: a growing, sustainable, smart city needs smart people. It is essential the existence of capable, involved people in the urban life and be adaptive to the new technologies which offer creative solutions and diversity to their communities.
- Smart Environment collects data from utility networks, users, as well as the city's air, water and other resources, to establish the main areas of action in urban planning and urban infrastructure planning. It also has the role of informing urban service managers in order to achieve a more efficient and sustainable development of the urban environment while improving the quality of citizens's life.

4.3.2. Alba Iulia – an example of good practices in Romania

The municipality benefits, among others, from internet in public spaces, medical services (doctors answer the phone non-stop and offer advice), applications through which citizens can send notifications in real time, while on the education side, 18 educational institutions received tablets, and students and parents will have free access to school information. LEDs have been installed on the poles, which have reduced consumption, while the air is monitored, and people can orient themselves to buy homes in less polluted neighborhoods. Smart solutions have also been found for the business environment. By having dedicated people and a solid base in the implementation of smart solutions, the pilot project Alba Iulia Smart City passes into a post-pilot stage, in which European projects in the area of innovation, digitalization, energy efficiency have already begun to be written and funded.

For example, POCA funding implements "e-Alba Iulia" (content management web platform and push notification beacons scattered throughout the city), "Digital Administration" (digital public services) and "Intelligent Administration" (through which will be developed a new urban development strategy, smart city strategy and participatory budgeting platforms and public barometer). Romania's largest fortress becomes a Tech City through the Tech Generation programs, which train young people in the city in the basics of digital administration and programming, under the guidance of mentors from all over the country.

All of these initiatives illustrate the evolution of the Alba Iulia Smart City pilot project to a new stage, in which most of the established solutions are widely implemented and begin to deliver the desired outcomes for people, who are the primary recipients of smart solutions (Smith, 2018).

5. Results and discussion

The concept of smart city has an ambiguous side, therefore current literature investigates a wide array of generating initiatives and projects in changing an ordinary city to a smart city. In order to take into consideration a sustainable city or a smart city, we need to look through the SDGs (Sustainable Development Goals) „lens”, meaning a set of indicators that measure the implementation of these targets. The current research presents limitations in this regard by not analyzing each indicator nationally or by regions (Benedek, et. al., 2021, for further assessment). The second limitation is represented by lack of statistical analysis.

6. Conclusions

A thorough review of the literature showed that the definition of a sustainable city is complex. People and community qualities, as well as ICTs, are now used in sustainable, intelligent cities. Attempts to construct all-encompassing indexes have been looked into. However, the aim of this paper was not to provide a new paradigm for determining a city’s smartness, as the author believes that such an analysis should be adjusted to a given city’s vision. Defining a universal fixed structure can be difficult with the diverse characteristics of cities around the world. If the policies and strategies have at their core the six components, it is an open path towards a sustainable, smarter city.

REFERENCES:

1. Babonea, A.M. and Joia, R.M., 2012. Trecerea la o „Economie Verde” – o provocare și o soluție pentru economia mondială în contextul crizelor multiple. *Economie Teoretică și Aplicată*, XIX(10), pp.90-10.
2. Benedek, J., Ivan, K., Török, I., Temerde, A. and Holobacă, I. H., 2021. Indicator-based assessment of local and regional progress toward the Sustainable Development Goals (SDGs): An integrated approach from Romania. [online] Available at: <<https://onlinelibrary.wiley.com/doi/full/10.1002/sd.2180>> [Accessed 16.06.2021].
3. Brundtland Report, 1987. Report of the World Commission on Environment and Development: Our Common Future. International Institute for Sustainable Development. [online] Available at: <<https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>> [Accessed on 12.02.2021].
4. Eden Strategy Institute, 2020. Top 50 smart cities government rankings. [online] Available at: <<https://www.smartcitygovt.com/>> [Accessed 30.03.2021].
5. Eger, J. M., 2009. Smart Growth, Smart Cities, and the Crisis at the Pump A Worldwide Phenomenon. *I-Ways*, 32(1), pp.47–53.
6. European Commission (EC), 2015. Economia verde. [online] Available at: <http://ec.europa.eu/environment/basics/green-economy/index_ro.htm> [Accessed 10.03.2021].
7. Giffinger, R., Fertner, C., Kramar, H., Kalasek, R., Pichler-Milanovic, N., and Meijers, E., 2007. Smart Cities: Ranking of European Medium-sized Cities. Vienna: Centre of Regional Science.

8. Harrison C., B. Eckman, Hamilton, R., Hartswick, P., Kalagnanam, J., Paraszcak, J., and Williams, P., 2010. Foundations for Smarter Cities. *IBM Journal of Research and Development*, 54(4), pp.1–16.
9. IDA Singapore, 2012. iN2015 Masterplan. [online] Available at: <<http://www.ida.gov.sg/~media/Files/Infocomm%20Landscape/iN2015/Reports/realisingthevisionin2015.pdf>> [Accessed 05.02.2021].
10. Index Mundi, 2021. Urban population. [online] Available at: <<https://www.indexmundi.com/facts/european-union/urban-population>> [Accessed 10.03.2021].
11. Institutul de Economie Mondială, 2019. Politici de mediu. [online] Available at: <<http://www.iem.ro/fișiere/Sinteze-comunic%C4%83ri/politici-mediu.pdf>> [Accessed on 15.09.2020].
12. Marinescu, P., Toma, S.-G. and Constantin, I., 2010. Social responsibility at the academic level. Study case: the University of Bucharest. *Studies and Scientific Researches- Economics Edition*, 15, pp.404-410. [online] Available at: <<http://sceco.ub.ro/index.php/SCECO/article/view/147/147>> [Accessed 27.04.2021].
13. NIST, 2014. The SmartAmerica Challenge- Smart America. [online] Available at <<https://www.nist.gov/el/smartamerica-challenge>> [Accessed on 10.03.2021].
14. OECD, 2016. Compact City Policies: A Comparative Assessment. [online] Available at: <<http://www.oecd.org/greengrowth/greening-cities-regions/compact-city.htm>> [Accessed on 12.02.2021].
15. Sohn, L.B., 1973. The Stockholm Declaration on the Human Environment. *The Harvard International Law Journal*, 14(3), pp.423-428.
16. Smith, L., 2018. Smart City Alba Iulia: solutions for a digital city. [online] Available at: <<https://hub.beesmart.city/city-portraits/alba-iulia-smart-city-solutions-for-a-digital-city>> [Accessed 11.10.2020].
17. Tohănean, D. and Toma, S.-G., 2018. Innovation, a key element of business models in the Fourth Industrial Revolution. *Network Intelligence Studies*, VI(12), pp.121-130. [online] Available at: <http://seaopen-research.eu/Journals/articles/NIS_12_6.pdf> [Accessed 24.04.2021].
18. Toma, S.-G., 2008. Social responsibility and corporate citizenship in 21st century. *Amfiteatru Economic*, 10(23), pp.80-85.
19. Toma, S.-G., Stanciu, C. and Irimia, E., 2011. Landmarks in the evolution of the social responsibility of organizations in the twentieth century. *The International Scientific Session CKS 5th edition 2011*, Nicolae Titulescu University, pp. 1352-1360. [online] Available at: <<https://core.ac.uk/download/pdf/25886981.pdf>> [Accessed 27.04.2021].
20. Toma, S.-G. and P. Marinescu, P., 2015. Strategy and change. *Manager*, 21(1), pp.145-150. [online] Available at: <<http://manager.faa.ro/en/article/Strategy-and-Change~818.html>> [Accessed 1 April 2021].
21. Toma, S.-G., Marinescu, P. and Grădinaru, C., 2016. The age of sustainable business models. *Strategii Manageriale*, 34(4), pp.128-132. [online] Available at: <http://www.strategiimanageriale.ro/images/images_site/articole/article_b89736d00f761fcd313daf8b083bf127.pdf> [Accessed on 01.02.2021].
22. Toma, S.-G. and Tohănean, D., 2019. Green business models: The case of a German automaker. *Quality - Access to Success*, 20 (S 2), pp.635-640. [online] Available at: <https://www.srac.ro/calitatea/en/arhiva/supliment/2019/Q-asContents_Vol.20_S2_March-2019.pdf> [Accessed 03.04.2021].
23. United Nations Environment Program (UNEP), 2017. Resilience and resource efficiency in cities. [online] Available at: <http://www.unep.org/pdf/GI-REC_4pager.pdf> [Accessed on 22.02.2021].
24. Zainea, L. N., Toma, S.-G., Grădinaru, C. and Catană, Ș., 2020. Social entrepreneurship, a key driver to improve the quality of life: The case of TOMS Company. *Business Ethics and Leadership*, 4(3), pp.65-72.
25. World Wide Fund for Nature (WWFN), 2009. Going green is where the jobs are: new study. [online] Available at: <<https://wwf.panda.org/?167022/Going-green-is-where-the-jobs-are-new-study>> [Accessed on 01.02.2021].

Limiting informal economy in the context of business environment regulations. An analysis of “young” European Union members

~ MSc **Denisa Elena Bălă** (Bucharest University of Economic Studies, Bucharest, Romania)

E-mail: baladenisa16@stud.ase.ro

~ Ph. D. Professor **Stelian Stancu** (Bucharest University of Economic Studies, Bucharest, Romania)

E-mail: stelian_stancu@yahoo.com

Abstract: Most of the studies undertaken in the direction of the underground economy identify fiscal pressure and corruption as the main determining forces of this phenomenon. The present study tries to address other factors as potential drivers of the unobserved economy through variables that summarize the conditions that characterize the business environment. For this purpose we will consider the situation of eight member states of the European Union, states that joined EU after 2000. Using panel data we will investigate the link between regulations and the informal economy over the period 2000-2015. The paper is structured as follows: firstly we will provide a short introduction regarding the issue of the underground economy, followed by a review of the scientific literature on this topic. In the third section, the research methodology will be detailed along with the variables and data used, specifying their collection sources. The last two sections are dedicated to the presentation of the main results and to expose some conclusions and proposals for the limitation of the informal economy in the context of regulations specific to the business environment.

Key words: shadow economy, panel data, business environment, excessive regulation

JEL: C33, C52, E26, H26

1. Introduction

The underground economy has become a new normal, a natural element that characterizes the economic environment in all countries of the world in a period of continuous change (Toma and Marinescu, 2015). The phenomenon did not omit any country but manifests itself with a greater or lesser intensity depending on a number of factors specific to each nation: level of economic development, corruption, regulatory intensity, or political stability determining the dynamics of the phenomenon over a certain period of time. Other factors may also be taken into account such as managerial performance, leadership, entrepreneurial spirit, corporate citizenship, or social responsibility (Toma, 2008; Marinescu, Toma and Constantin, 2016; Marinescu, et al, 2017; Toma and Grădinaru, 2020).

The literature started focusing on this topic decades ago, researchers seeking to identify primarily the root causes of this phenomenon, but also to propose some efficient policies that can control the underground economy, as it threatens the well-being of citizens, as well as the proper functioning of goods and services markets. Within their studies, researchers and scholars have referred to the phenomenon under various names such as the black economy, the informal economy, the unregulated economy, the hidden economy or the unobserved economy. All these terms aim to summarize the fact that the activities undertaken in this area seek to avoid registration to the official statistics.

Among the most recent updates on the level of the informal economy worldwide is the research undertaken by Medina and Schneider (2018). They estimate that between 1991 and 2015 the unobserved economy at global level represented approximately 31.9% in relation to the calculated official GDP. They include 158 states and highlight significant differences regarding the magnitude of the phenomenon from one category of state to another. For example, OECD member countries have much less informal sectors compared to Latin American or sub-Saharan African countries.

Numerous debates have arisen with respect to the effects of the unobserved economy, beyond so many negative consequences, a positive one being highlighted. The most notable advantage, although it manifests itself in the short term

is the fact that the underground economy can act as a "life jacket" for people in need, for example people who have lost their jobs in the official economy and need to earn an income at any cost, even with the acceptance of involving into the undeclared work. Most of the studies undertaken in the direction of the underground economy identify fiscal pressure and corruption as the main determining forces of this phenomenon. The present study tries to address other factors as potential drivers of the unobserved economy through variables that summarize the conditions that characterize the business environment.

2. Literature review

The underground economy represents a widespread problem, being an important issue that often causes functional deficiencies in the markets for goods and services. However, the magnitude of this phenomenon differs from one state to another, these differences being generated by

causes such as: the legislative framework of the country, the quality of public services, but also the level of corruption, the latter being part of the informal economy. The phenomenon of underground economy affects the social and economic situation of a state, and can also be a threat to its stability.

The formulation of the first definitions of the informal economy was based on a comprehensive spectrum of activities, from acts of a criminal nature or unpaid work, to volunteering or barter. Recently, a subcategory of the underground economy, also known as the paid informal economy, was highlighted. This can be defined as “an exchange of money that is not registered or evaded from taxes, social security contributions and / or labor rights imposed by the state, but which is legal in all other respects.” (Williams, 2011)

From the perspective of Schneider and Williams (2013), a narrower definition of the informal economy has been adopted, according to which it includes the legal production of goods and services, but which are deliberately hidden by public authorities, for any of the following reasons: the payment of income tax, value added tax or other taxes; avoiding the payment of social security contributions; non-compliance with legal standards imposed on the labor market such as: safety at work, the minimum wage in the economy or the maximum number of hours worked; avoiding compliance with various administrative rules.

The development of the underground economy is driven by a number of causes and determinants, which can be grouped into three categories, as follows: long-term factors, which relate to issues such as tradition, identity or political culture; particular institutions and regulations, here being found the level of economic development, regional specificity, fiscal pressure, intensity of regulations, quality of institutions; the last category includes the factors located at micro-economic level and the perception of the economic agents on them.

Friedman, et. al. (2000) find that bureaucracy and institutional over-regulation push economic agents to engage in activities specific to the informal economy. It is not necessarily their desire to evade compliance with tax obligations, but the intention to avoid excessive bureaucracy can lead to the expansion of the informal sector.

Enste and Hardege (2006) in turn confirm the advantages of a less stringent regulatory system, for example on the labor market. Their study, at the level of OECD countries where the legislation is less dense, individuals are less afraid of losing their jobs compared to people in environments where regulations are stricter.

Estrin and Mickiewicz (2010) investigate the link between the scale of the informal economy and the likelihood of individuals engaging in entrepreneurial activities. Their findings indicate a negative correlation between an individual's chances of starting a business and the size of the informal sector in that country. In Romania, for example, it was observed that entrepreneurial activity is influenced by a number of psychological factors such as self-confidence of businessmen, the perception of having the necessary experience to manage a business, but also aspects related to education and income of individuals. (Bălă, et al., 2020)

Enste (2010) analyzes the intensity of regulations in the business environment as a potential cause of the informal economy. His empirical research on 25 OECD Member States points to exaggerated regulations, beyond the well-known causes of tax pressure and labor regulations, as

a significant cause of the expansion of the underground economy. Facilitating regulation means greater freedom for economic operators, who should no longer feel motivated to migrate to the unregulated sector.

Wiseman (2014) studies the interdependencies between the informal economy, the level of corruption and the entrepreneurial environment. On the one hand, the study analyzes the reaction of entrepreneurs to changes in the institutional environment, on the other hand trying to identify the informal economy as a potential refuge for entrepreneurs from countries with poor institutional quality and high levels of corruption. Using an OLS-type estimate, he observes a statistically significant, opposite relationship between productive entrepreneurship and the informal economy. In other words, the paper indicates the migration of productive entrepreneurship to the hidden economy and the support of the informal economy for unproductive activity in the official economy.

Early and Peksen (2019) are providing an analysis focused on 145 states for the period 1971-2005. They study the relationship between the intensity of economic sanctions and the involvement of companies in activities specific to the informal economy. Their evidences indicate a positive, significant relationship between the two variables. More precisely, the more pronounced the sanctions, the more developed is the sector of the unobserved economy. A similar effect is manifested by political shocks, causing economic agents to operate within the unregulated economy.

Mughal, et. al. (2020) reiterate the impact of exaggerated regulations that are reflected in the expansion of the unobserved economy. Their research focuses on the situation of Pakistan over the period of 1973-2015. They consider that the introduction of new regulations and laws does not come to support the citizens, but in the development of bureaucracy, a typical phenomenon characterizing most of developing countries.

Nguyen and Duong (2021) undertake a study on the BRICS states over the period 1991-2017. Their research is oriented on two directions. On the one hand, they analyze economic growth and its determinants at the level of BRICS states, but on the other hand, they are focusing on the informal economy phenomenon. For the considered sample it is observed that in certain situations the informal sector can contribute to the growth of the official economy, while corruption determines the sinking of the official economy. Therefore, in order to encourage economic growth, the state must learn to control the phenomenon of corruption.

3. Research methodology

Panel data are recognized in the scientific literature as longitudinal data or cross-sectional time series and represent sets of data that study the behavior of different entities or individuals over time. The advantages of using panel data are highlighted in works such as that of Baltagi (2001). His study indicates aspects such as increased variability, lower collinearity between variables, improved efficiency, but also the fact that panel data is a much more generous source of information.

By using panel data it is possible to study the fixed or random effects specific to either the entities or the time periods considered. The functional forms of the fixed and random effects

models are indicated below:

For the fixed effects model:

$$y_{it} = (\alpha + u_i) + X'_{it}\beta + v_{it} \tag{1}$$

For the random effects model:

$$y_{it} = \alpha + X'_{it}\beta + w_{i,t} \tag{2}$$

To determine what type of effects will prove to be significant and relevant to the panel data considered in this study we will use the test proposed by Hausman (1978). The choice between a fixed-effects model and a random-effects model will require testing the assumptions given below:

H_0 : For the considered panel structure, the random effects model is recommended.

H_1 : For the considered panel structure, the fixed effects model is recommended.

Based on this, it is checked if there is a correlation between regressors and unique u_i errors. The null hypothesis of the test assumes the absence of correlation between the previously mentioned elements. Its rejection implies the consideration of a model with fixed effects.

As can be seen in the results section, for the panel data structure considered within this paper it will be necessary to use a model with random effects.

In the case of the random effects model, the $w_{(i,t)}$ term from equation 2 is represented as $w_{(i,t)} = u_i + v_{it}$ where

$u_i \sim IID(0, \sigma_u^2)$ denotes a random effect specific to a period of time or to a certain entity not included in the regression model $v_{it} \sim IID(0, \sigma_v^2)$

The estimation of the models with random effects is done either by the GLS method (the generalized least squares method), by the FGLS (the feasible generalized least squares method) or EGLS (estimated generalized least squares). The GLS method is specific to situations where the covariance structure of the composite error terms is known, while EGLS / FGLS is applied when the structure of the covariance of composite errors is not known. Most of the time this structure is not known, therefore EGLS and FGLS are much more common.

This paper aims to analyze the impact of business conditions in eight European countries on their underground economies. We will consider the situation of the following countries: Bulgaria, Croatia, Estonia, Hungary, Poland, Romania, the Slovak Republic and Slovenia. The time horizon on which we will focus is situated between 2000 and 2015. Data on the state of business regulations were collected from the World Bank website, while the most recent data on the level of informal economies are represented by the calculations made by Medina and Schneider (2018).

A brief overview of the indicators used in this analysis can be found in Table 1.

Table 1: Variables and sources of collection

Variable	Acronym	Brief description	Source
Shadow Economy	SE	Indicator representing the share of the underground economy in the official economy (% GDP)	Medina și Schneider (2018)
Cost of starting a business	Cost	The cost required to perform all the procedures necessary to launch a business, calculated as a percentage of per capita income.	World Bank
Number of procedures required to start a business	Procedures	Indicator that sums up the number of procedures required to launch a business. A procedure is interpreted as any interaction between the founder of the business and other parties involved.	World Bank
Time to launch a business	Time	An indicator that summarizes the time required to complete procedures to start a business. It is expressed in calendar days, as a median value.	World Bank
Number of payments per year	Payments No	Total payments representing taxes and contributions due to the state	World Bank
Time dedicated to payments	Payments Time	Indicator that resumes the time given to make all payments of taxes and contributions imposed by the state	World Bank

Source: Medina and Schneider (2018), World Bank and authors' own processing

Starting from the five explanatory variables presented previously, as well as from the considerations of the scientific literature in the field, we will formulate five hypotheses regarding the impact manifested by these factors on the informal economy. Later we will test these hypotheses, results being presenting within the following section.

H₁: The more expensive it is to launch a business, the more pronounced the intention of individuals to get involved in the informal economy.

H₂: Numerous and complicated procedures contribute in a positive way to the development of the underground economy.

H₃: Time-consuming operations in the process of launching the business push economic agents into the informal sector.

H₄: The numerous fiscal obligations determine the companies to operate in the informal sector to a greater extent.

H₅: The informal economy is expanding with the increase of the time allocated for fulfilling the fiscal obligations.

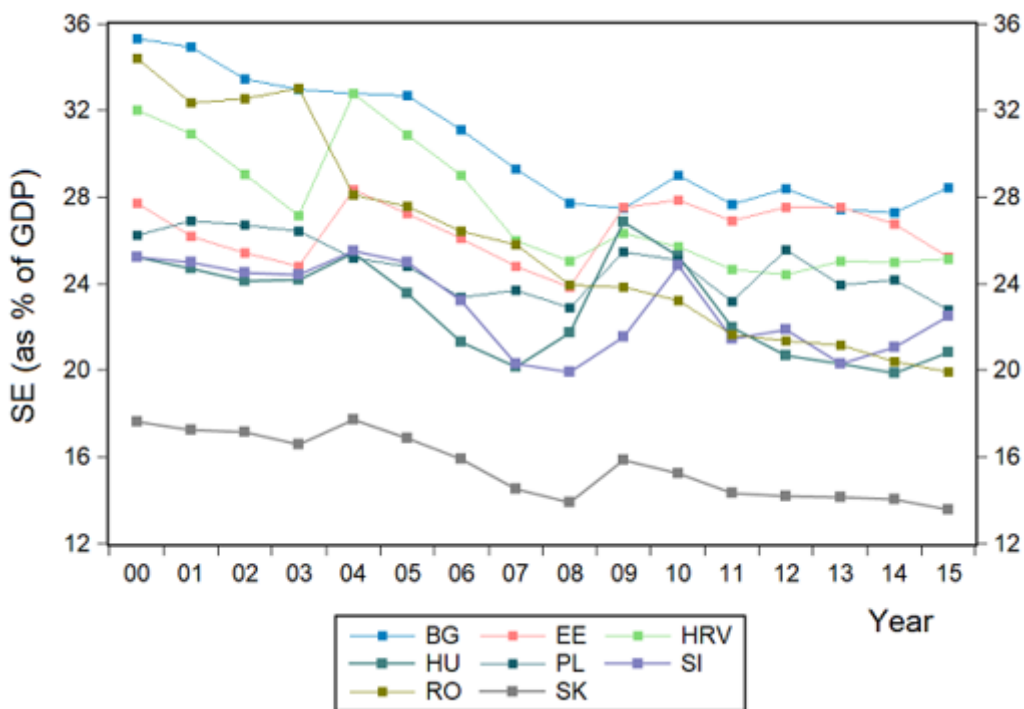
4. Results and discussions

The present section is dedicated to presenting the main results of our analysis.

The graph shown in figure 1 highlights the evolution of the informal economy at the level of the eight states described in the previous section, the estimates being provided by Medina and Schneider (2018). According to this graph one can notice a decrease of the informal sector at the

level of each state, a sign that the policies to combat the informal economy show promising results. A mutual aspect related to the underground economies of the eight states is represented by the expansion registered between 2008 and 2010, proof that during the economic crisis and immediately after the informal sector prospered. The loss of jobs and the slowdown in the activities of the official economy have translated into a considerable increase of the activities included to the unregulated economy.

Figure 1: Shadow economy evolution between 2002 and 2015



Source: Authors' processings using Medina and Schneider (2018) estimates

Before estimating a model by using the panel data presented in the previous section, it is necessary to test the stationarity of the proposed variables. To achieve this, we will use the stationarity test proposed by Im, Pesaran and Shin (2003), results being represented in Table 2.

The null hypothesis associated with this test indicates that the cross-sections have a unit root, the alternative hypothesis being that of the stationary process. According to the p-values exposed in parentheses, we notice that for the level series we fail to reject the null hypothesis and accept the alternative one. Therefore, we will have to differentiate the series and re-apply the test, the results being highlighted on the second column of the table. We notice that as a result of the differentiation, the processes have become stationary.

Table 2: Im, Pesaran & Shin stationarity test

	Level	1st difference
SE	-1.367 (0.093)	-4.460 (0.000)***
Cost	0.648 (0.741)	-3.456 (0.000)***
Procedures	-0.190 (0.424)	-2.817 (0.002)***
Time	-3.190 (0.789)	-3.656 (0.000)***
Payments No	2.162 (0.223)	1.936 (0.001)***
Payments Time	-1.736 (0.391)	-1.611 (0.009)***

Note on Significance codes: 0.01'***'; 0.05'***'; 0.1'**'

Source: Authors' own processing

Considering the results provided by the stationarity test, we will continue with the estimation of the regression model on our panel data, using the first order differentiated series.

The estimation of the model will be based on the OLS technique, but establishing beforehand whether the model will be one without effects, with fixed effects or with random effects. Given that in this situation we are dealing with eight distinct states, we will not rely on the model without individual effects, but we will focus on the selection between the model with fixed effects and the model with random effects. The model with fixed effects has the role of analyzing the individual differences regarding the intercepts, based on the fact that the variance and the slopes are the same for all the cross-sections. In the case of the model with random effects, there is the hypothesis of the variation between the entities as being uncorrelated with the regressors included in the model.

We will further run the test proposed by Hausman (1978) to identify the specification of the regression model. The null hypothesis of this test assumes the lack of correlation between the individual effects and the regressors included in the model, while the alternative hypothesis supports the choice of a model with fixed effects.

Table 3: Hausman specification test

Chi-Sq. Statistic	Prob.
5.881	0.208

Source: Authors' own processing

According to the value of Prob in the previous table, we find that we fail to reject the null hypothesis and assume a random-effects model for our panel data structure.

We further continue our analysis by estimating the regression model starting from the following basic equation.

$$\Delta SE_{i,t} = \alpha + \Delta Cost_{i,t} + \Delta Procedures_{i,t} + \Delta Time_{i,t} + \Delta PaymentsNo_{i,t} + \Delta PaymentsTime_{i,t} + \eta_i + \varepsilon_{i,t}$$

In the previous equation both the dependent variable and the explanatory variables are preceded by the differentiation operator, since we established that the level series were characterized by the presence of the unit root. Each *i* index denotes one of the eight states analyzed, while *t* corresponds to each year between 2000 and 2015.

Table 4: Panel regression estimates

Variables	Model 1	Model 2
<i>C</i>	0.478*** (0.000)	0.494*** (0.002)
<i>ΔCost</i>	0.161** (0.022)	0.134*** (0.008)
<i>ΔProcedures</i>	0.375** (0.031)	0.265*** (0.006)
<i>ΔTime</i>	0.304*** (0.001)	0.378*** (0.000)
<i>ΔPayments No</i>	0.712 (0.223)	-
<i>ΔPayments Time</i>	0.558*** (0.000)	0.265*** (0.006)
R-Squared	0.798	0.813
Adj. R-Squared	0.801	0.825
F-statistic	0.000	0.000

Note on Significance codes: 0.01'***'; 0.05'**'; 0.1'*

Source: Authors' own processing

The generalized least squares estimation method (EGLS) is used, two regression models being estimated to determine the relationship between business regulations and the level of the informal economy for the eight European countries presented in the previous section. The estimation of the first model took into account all five proposed explanatory variables, but as can be seen in the previous table, one of them does not show statistical significance. The variable in question is Δ Payments No, therefore we decided to eliminate it from our analysis. We thus continued with the estimation of a second model, in which all the other four variables are included, being characterized by statistical significance. As we have assumed, the costs associated with starting a business, along with the time dedicated to complete the procedures needed for establishing a company have a positive impact on the development of the informal economy. In other words,

We can associate these aspects with the existence of complicated and time-consuming procedures that push economic agents to get involved in the informal economy. If we refer to the fiscal obligations, synthesized through the variables Δ Payments No and Δ Payments Time, we notice that their impact is also a positive one on the underground economies. However, the difference signaled between the two models is given by the lack of statistical significance of the variable Δ Payments No which was excluded from the estimation of the second model. Therefore, we can say that it is not the number of taxes that economic agents have to pay, but rather the time it takes to fulfill these obligations that determines them to work in the unregulated economy. The goodness of fit of the two models can be assessed based on the R-Squared indicator. The improvement of the estimation is noticed with the removal of the variable Δ Payments No, the variables included in the model explaining in proportion of 82.5% the evolution of the informal economies at the level of the eight European states.

5. Conclusions

This article aimed to analyze the link between business regulations and the evolution of the underground economy in eight European Union member states over the period 2000-2015. In order to achieve this, we proposed a panel data analysis using as data collection sources the annual Doing Business report provided by the World Bank, as well as the latest available estimates on the level of the informal economy. First of all, the analysis aimed at testing the panel data stationarity. The presence of the unit root imposed a first order differentiation of the data. Given that we analyzed distinct states with distinct particularities, we have initiated a regression model on panel data based on the specification suggested by the Hausman test. Two random regression models were estimated, the second model being considered appropriate to explain the evolution of the informal economy both in terms of the statistical significance of the estimated coefficients and based on the coefficient of determination. The hypotheses initially formulated were confirmed following the estimation of the model, so that the regulations synthesized by the considered indicators determine the expansion of the informal economy. The high costs of setting up a business, along with complicated and time-consuming procedures, cause individuals to operate in the hidden economy, where tax regulations and obligations are virtually non-existent. Also, the

more significant time allocated to fulfilling the fiscal obligations, the less motivated individuals are to continue to carry out their activity within the regulated economy. This conclusion is in line with the empirical evidences in the field, a variety of studies indicating the tax burden as the main cause of growth of the informal economy. According to the above, the authorities must consider a series of measures meant to keep the economic agents in the official economy, to motivate them to fulfill their fiscal obligations and also to take all the steps required by law to set up an enterprise. Better thought out and less complicated regulations, together with the simplification of the procedures regarding the payment of fiscal obligations through reforms that include digitalization can be some suitable policies in the direction of limiting the underground economy.

REFERENCES:

1. Baltagi, B., 2001. *Econometric Analysis of Panel Data*. 2nd ed. Chichester: John Wiley and Sons.
2. Bălă, D. E., Stancu, S., Constantin, I. and Marinescu, P., 2020. What influences the entrepreneurial intention in Romania? Identification of the main determinants using classification trees, *Manager*, 32(1), pp.7-20.
3. Early, B. and Peksen, D., 2019. Searching in the Shadows: The impact of Economic Sanctions on Informal Economies. *Political Research Quarterly*, 72(4), pp.821-834.
4. Enste, D. H. and Hardege, S., 2006. *Regulation, Growth, Labor Force and Welfare*. Cologne Institute for Economic Research, Iw-trends, 2.
5. Enste, D. H., 2010. Shadow Economy – The Impact of Regulation in OECD-countries. *International Economic Journal*, 24(4), pp.555-571.
6. Estrin, S. and Mickiewicz, T., 2010. Entrepreneurship in transition economies: The role of institutions and generational change. In: M. Minniti, ed., 2010. *The Dynamics of Entrepreneurial Activity*. Oxford: Oxford University Press.
7. Friedman, E., Johnson, S., Kaufmann, D. and P. Zoido-Lobatón, 2000. Dodging the Grabbing Hand: The Determinants of Unofficial Activity in 69 Countries. *Journal of Public Economics*, 76(4), pp.459–493.
8. Hausman, J. A., 1978. Specification Tests in Econometrics. *Econometrica*, 46, pp.1251-1271.
9. Marinescu, P., Toma, S.-G. and I. Constantin, I. 2016. Talent management in the age of globalization. *Manager*, 24, pp.180-184. . [online] Available at: <<https://www.proquest.com/docview/2213787440/fulltextPDF/42108C4B102A46FCPQ/1?accountid=15533>> [Accessed 05.05.2021].
10. Marinescu, P., Toma, S.-G., Miulescu, G.-F. and Grădinaru, C., 2017. Entrepreneurship: from education to innovation. *Manager*, 26, pp.146-156. [online] Available at: < <https://www.proquest.com/docview/2213790065/fulltextPDF/48628E5EFFEF4FCBPQ/1?accountid=15533>> [Accessed 27.04.2021].
11. Medina, L. and Schneider, F. 2018. Shadow economies around the World: What did we learn over the last 20 years? *International Monetary Fund, IMF Working Papers* 18/17.
12. Mughal, K. S., Schneider, F. G. and Hayat, Z., 2020. Intensity of Regulations as a Cause of Informal Sector. *Journal of South Asian Development*, 15(2), pp.135-154.
13. Nguyen, D. V. and Doung, M. T. H., 2021. Shadow economy, corruption and economic growth: An analysis of BRICS Countries. *Journal of Asian Finance, Economics and Business*, 8(4), pp.665-672.
14. Toma, S.-G., 2008. Social responsibility and corporate citizenship in 21st century. *Amfiteatru Economic*,

10(23), pp.80-85.

15. Toma, S.-G. and P. Marinescu, P., 2015. Strategy and change. *Manager*, 21(1), pp.145-150. [online] Available at: <<http://manager.faa.ro/en/article/Strategy-and-Change~818.html>> [Accessed 05.05.2021].
16. Toma, S.-G. and Grădinaru, C., 2020. Leadership: An overview. *Manager*, 32(1), pp.51-59. [online] Available at: <<https://ideas.repec.org/a/but/manage/v32y2020i1p51-59.html>> [Accessed 06.05.2021].
17. Williams, C. 2011. Reconceptualizing Women's and Men's Undeclared Work: Some Results from a European Union Survey. *Gender, Work & Organization*, 18, pp.415-437.
18. Williams, C.C., 2013. Out of the shadows: a classification of economies by the size and character of their informal sector. *Work, Employment and Society*, 28(5), pp.735-753.
19. Wiseman, T., 2014. Entrepreneurship, corruption, and the size of US underground economies. *Journal of Entrepreneurship and Public Policy*, 4(3), pp.313-330.
20. World Bank, 2021. Doing Business. [online] Available at: <<https://www.doingbusiness.org/en/custom-query>> [Accessed 04.05.2021].