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A FINANCIAL PROGRAMMING MODEL – REPRESENTATIVE INDICATORS AND SCENARIOS

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Abstract

The article presents the limitations and advantages of a financial programming model applied to Romania's case in order to draw up economic growth scenarios under the government policies conditions. This type of financial programming model gives the best forecasting results for the economies facing periodic restructuring or in case of shifting from economic expansion period to crisis period. The use of models during such instability periods is necessary rather for testing the policies' impact on the economy evolution in the short run than for pointing out the medium-term evolution trends.

Keywords: *financial programming, government policies, taxation bases*

JEL classification: *E17, E27, E62, H61, H68*

1. Introduction

Econometric models and financial programming models of high complexity (the Emilian Dobrescu model, the Lord model, the RMSM model), as well as econometric models addressing certain issues, such as the model for determining the potential GDP, or the model for determining the long-term economic growth have been used in Romania after 1989. The econometric models applied to the transition economies are generally facing three types of problems entailing forecasting errors:

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- too short and fragmented data series;
- the forecasted indicators are, generally, not consistent with the overall logic of the model or the consistency of all projections is difficult to be achieved;
- the institutional factors of qualitative nature are neglected.

Such problems may be fixed by financial programming models such as those used by the International Monetary Fund and by the World Bank (RMSM, RMSM-X), models based on “equilibrium” statistical equations, with a low share of behavioral equations.

The RMSM (Revised Minimum Standard Model-World Bank) model was built up in 1973 in view to serve the World Bank purposes of achieving a comparative analysis of countries’ real GDP growth in correlation with the level of investments, imports and external credits. By means of specific parameterization, the model answers problems of the following types:

- the necessary level of investments in view to sustain the GDP growth rate, when the other elements are pre-determined;
- the necessary level of imports in view to achieve the desired GDP growth rate, while investments and consumption are residual elements, each on its turn.

In both cases, the real exports growth is exogenous. The existing difference between exports and imports determines the need for external credits. The RMSM model consists of:

- the database (historical; series), including the situation of external debt;
- a system of accounting equations describing the accounts of economic sectors and certain behavioral relationships between the economic variables;
- a series of economic variables, parameters and coefficients whose exogenous values are introduced for each year of the projection period;
- an ex-post set of weights and economic indicators allowing for checking the projection consistency, which may also be used for economic analyses.

The RMSM-X (Revised Minimum Standard Model – X) model resulted from the integration into the previous macroeconomic model of the World Bank (RMSM) of the IMF financial programming model (extended Polak model). In parallel with its use by the World Bank and IMF, the model also comprises a set of economic/accounting equations allowing for drawing up analyses and forecasts of economic growth for the countries asking for

funds. The model may be also used for checking the macroeconomic consistency, provided that the values of certain indicators set up as targets or economic policy measures are consistent with the whole macroeconomic framework.

The model scenarios are to be carefully analyzed, several iterations on setting up assumptions and simulation results being necessary to obtain plausible results, on one hand in relation with the internal and international context and, on the other hand, in relation with the economic policy parameters. In case of unlikely results related to model consistency, for example the economic growth supposed as target would entail an external deficit much higher than what would be reasonably borrowed, such a situation indicates incompatibilities between the exogenous variables (assumptions) and the economic policy parameters. In this case, the model should be readapted by changing the assumptions.

The RMSM-X model is generally functioning in the regime of “closure on private”. In this situation, certain specifications are made on the exogenous parameters and variables. The main purpose of “closure on private” is to analyze the economic consistency between the macroeconomic targets, such as the real GDP growth, inflation, external reserves in months of imports, real exchange rate level and the forecasted fiscal-budgetary policies, expressed by income and the current and capital expenditure. Moreover, the balance of payments sustainability should be checked by analyzing the memorandum indicators, such as external debt share in the GDP and the external debt service in relation to exports.

2. The Romanian financial model: An useful operational tool in developing scenarios for a transitional economy

A version of the World Bank RMSM-X model was adapted in Romania through the assistance program granted by ADE (Aide de la Decision Economique) consulting company from Belgium, in collaboration with Crown Agents Company, during 1996-1998, carried out alongside five missions. The macroeconomic model developed by the National Commission for Economic Forecasting (NCEF) was initially structured into two files, the first one comprising the database, beginning with 1990, while the second one included the three years forecast of macroeconomic indicators. Originally

conceived in this form, the model had, as starting point for projections, a base year which, for the first two missions was 1995, while for the next two 1996 was set up as base year.

Efforts were made during the third and the fourth mission of Phare assistance program to develop a new version of the model in view to include a detailed set of monetary-budgetary indicators, structured into two sets of files: data files, comprising the historical data series for detailed blocks of indicators, and scenarios files, comprising projection tools and projection results.

The main characteristics of the financial programming model are exemplified by the model blocks, as follows:

(1) Account of GDP formation (in real terms) and employment

Total gross value added at factor costs (QA0) can be disaggregated into four activity sectors:

Agriculture, sylviculture	(QA1)
Industry	(QA2)
Non-government services	(QA3)
Government services	(QAG)

Gross value added growth for industry and agriculture and GDP growth are set exogenously:

$$QA0 = QA0_{-1} (1 + g)$$

g = GDP growth rate, exogenous

$$QA_i = QA_i_{-1} (1 + g_i)$$

g_i = exogenous growth rate of value added for agriculture and industry, $i= 1,2$;

Gross value added of the non-government services (QA3) is a residual.

The growth rate of value added in public administration is estimated by model as the sum of growth rates of public sector employment and productivity.

Employment in the public sector is an exogenous policy variable, which needs to be set by the user.

Employment for the other three non-government sectors is determined on the basis of "Verdoorn elasticity" (the growth of output is accompanied by growth of productivity implying an elasticity of employment with respect to production lower than one):

$$Li = Li_{-1} * (1 + ai * rQAi)$$

where:

Li = employment in sector i

ai = elasticity of employment in sector i with respect to value added in sector i.

According to the importance of restructuring measures, the values of Verdoon elasticities are set (measures of ample restructuring require low coefficients values).

(2) Account of GDP utilization (in real terms)

Specific to this account, private consumption and gross investment are projected through their exogenous growth rates; public consumption depends on employment in the government sector and the growth rate of material expenditures; and separately, the exports and imports are forecasted in the external trade block linking to the growth rate of foreign markets and GDP.

After setting up these exogenous variables in the model, consistency checks are absolutely necessary by analyzing the contribution of changes in inventories to GDP growth and, in a medium term view, to ICOR (Incremental-Capital-Output-Ratio).

ICOR indicates the amount of Lei to be invested (at constant prices) for 1 Leu increase in the GDP. Consequently, it reflects the investments effectiveness. On medium term, ICOR is equal to the investment rate (total fixed investments/GDP) divided by the growth rate of the economy. The available data suggest a value of 5.0 for ICOR, which is relatively high (low effectiveness of investments). On medium term, the economy's liberalization would contribute to a higher effectiveness of investments and, consequently, to a gradual diminution of ICOR.

The change in inventories contribution to GDP growth should normally range between -0.3% and +0.3%. When the economy is relatively stable, the increase in inventories tends to add a low percentage (between 0.1% and 0.3%) each year to the GDP growth. Economic fluctuations could induce, during certain periods, a negative contribution to GDP growth.

(3) Exports and imports in constant US dollars

Both for exports and imports a disaggregation into three categories was adopted:

QXG1\$, QMG1\$:	Food products
QXG2\$, QMG2\$:	Energy products
QXG3\$, QXG3\$:	Other exports (or imports) of goods
QXG\$, QMG\$:	Total merchandises exports or imports, FOB

Since imports are CIF recorded, insurance and freight are isolated and computed as a fixed proportion of total imports to permit passage from CIF to FOB:

QXSS\$, QMS\$:	Non factor services
QX\$, QM\$:	Total exports (or imports) of goods and services

Exports and imports are estimated in \$US at the price and the exchange rate of the base year.

All categories of exports are related functionally, with elasticities to the real growth of foreign demand and to the real exchange rate:

$$QXGi\$ = QXGi\$_{-1} * (1 + e1 * rQWX\$ + e2 * rRER)$$

where:

QXGi\$ = the exports of goods of category i at prices and exchange rate of the base year,

QWX\$ = the world demand in constant US dollars,

RER = the real exchange rate of the Lei with respect to the US dollar.

Coefficients e1 and e2 are the demand and the price elasticities of export, respectively.

The real exchange rate is defined as

$$RER = E * PW\$ / PA$$

where:

E = nominal exchange rate (Lei/US\$),

PW\$ = the world price level in US dollars (approximated by the index of the manufacturing unit value)

PA = domestic price level in Lei (GDP deflator)

This relation indicates that RER is the ratio of international prices expressed in Lei to domestic prices. When RER increases because the nominal rate depreciates (more Lei are needed to buy one dollar), because the foreign prices in dollars are rising faster than the domestic prices, then the real exchange rate appreciates since the purchasing power of the foreign currency in terms of lei is improved.

The elasticities e_1 and e_2 are estimated by econometric simulations or by assumptions of the experts; taking account that in the long run the value of e_1 should be 1 for all countries.

The value of the price elasticity e_2 , which is positive, will also depend on the type of exports. If the export products are not adapted to the world demand, as is often the case for a number of traditional production in the former socialist countries, then as long as restructuring and transformation of the productive capacity is not done it is likely that the export price elasticity will be very low.

The equations for imports have a similar form:

$$QMGi\$ = QMGi\$_{-1} * (1 + m1 * rQA - m2 * rRER) \quad i \neq 2$$

with

$QMGi\$$ = the imports of goods of category i at prices and exchange rate of the base year, and QA the GDP.

Elasticities m_1 and m_2 must be obtained from empirical analysis or from empirical values observed across similar countries. Elasticity m_2 has a negative sign, since an increase (appreciation) in the real exchange rate means an increase in the relative price of foreign goods with respect to domestic ones and will, therefore, reduce the willingness to import.

A different equation is adopted for the import of energy. The reason is that the real exchange rate is an inappropriate indicator of the relative prices of energy products. Indeed, the world price of energy products is dominated by the dollar price per barrel of oil and the domestic price of energy in Romania is administrated.

Thus, the equation for energy product has been specified as:

$$QMG2\$ = QMG2\$_{-1} * (1 + m1 * rQA - m2 * rPM2\$ * E/PAD)$$

where:

$PM2\$$ is the price of imported energy in US dollars and PAD an index of the administrated price of domestic energy

This equation shows that an increase in the administrated prices will increase the demand for imported energy, which is presently "discouraged" by the sort of protection given by the low administrated prices.

(4) The balance of payments

The accounting assumptions for the balance of payments refer to the future development of the public and private capital accounts (the expected

non-reimbursable loans, the new loans under negotiation) and to the international environment assumptions (international interest rates).

Most components of the capital account are exogenous:

- capital grants (non-reimbursable loans) from international organizations and bilateral assistance;
- net foreign direct investment;
- net portfolio investment;
- new medium and long-term loans;
- short-term credit;
- bilateral credit arrangements;
- external debt.

The endogenous elements of the capital account are:

- the repayment of public and private foreign debts;
- The gap fills loans.

(5) Prices

The GDP deflator is exogenous and represents the leading indicator of inflation in the model. Note that it could be endogeneised on basis of the relationship between prices developments and the evolution of the monetary stock. The important assumptions of this block are the following:

- the estimation of the general level of inflation and the nominal exchange rate (assumption regarding the real exchange rate policy);
- the evolution of the real wages in the economy and in the Government sector.

(6) Monetary sector

The important endogenous variable is the money supply from three sources: net foreign assets, credit to government and to private sector. The key variable of economic policy (exogenous) is the credit to non-government sector, the other two resulting from the balance of payments, and from the financing account of the Government, respectively.

The strongest assumption for this block refers to the interest rate, allowing for the calculation of monetary sector income and expenditure, as well as for the credits distribution towards the non-government sector. This

variable should be estimated in relation with inflation rate. Several monetary indicators are included in this block: broad money, velocity of money, etc.

(7) Government sector

Revenues from direct and indirect taxes, as well as from social contributions for one year, are projected by multiplying the appropriate tax base, derived from the projected National Accounts by the implicit taxation rate of the previous year:

- taxes on wages and social security contributions are based on wages in the private sector and in the government sector;
- taxes on profit are based on non-wage factor incomes in the private sector;
- VAT and excise duties are computed on private consumption; custom duties on the value of imports;
- other direct and indirect taxes grow in line with inflation, considering the real level unchanged
- non tax and capital revenue are exogenous
- On the expenditure side, most of the budgetary components are estimated by identifying the real growth rates and specific price of the expenditure:
- wages and salaries are estimated as the product of the number of public employees and the wage rate;
- material expenditures depend on exogenous volume growth rate and the general price inflation;
- transfers are determined on the assumption that the budgetary policy tries to maintain the real purchasing power of social transfers, and indexed on the GDP price;
- capital expenditure are exogenous, but constitute, with the financing account, the main point of interference with the Public Investment Program.
- The main assumptions to simulate the Government account refer to:
- the changes in the taxation rate, the tax bases or the introduction of new taxes;
- the wage and employment policy of the Government;

- the real growth rate of the material expenditures and social transfers;
- the Public Investment Program.

(8) Flow of funds matrix

A flow of fund matrix is computed in the forecast period, which presents in a matrix form the current and capital transactions within the domestic economy and with the rest of the world, and the identity of the GDP. Current account transactions record the flow of funds arising from the generation and the distribution of income, as well as the uses of income. Capital account transactions record the investments and capital transfers, as well as the changes in financial assets and liabilities.

The domestic economy is broken down into Government sector, monetary sector and a private sector, which is a residual. The conversion of IMF modules in the institutional sectors' accounts plays an important role in resolving the consistency of the forecasts on a transition economy with institutional instability.

The preparation of a medium term projection involves a number of tasks:

a. The update and the analysis of the database, with the view of obtaining a consistent set of data that allow to analyze the recent economic developments and to observe the impact of the economic policy measures adopted in the past (the accuracy of information referring to the events produced in the year considered as base year in the model is very important);

b. Preparation of international assumptions refers to, for example, an expansion of Romanian export markets (the demand for imports by Romania's trade partners), international inflation, international energy prices, and international interest rates. The most important sources of this information are the regular publications IMF World Economic Outlook that contains forecasts of the world economic developments, OECD Economic Outlook that contains forecasts for the OECD economies, and the short term economic forecasts of the European Commission;

c. Preparation of economic policy assumptions requires a good knowledge and understanding of the recent economic policy developments and of the future direction of the national economic policy (objectives

assumed by Government, the context of agreements concluded by the Ministry of Finances and the National Bank with multilateral agencies, the state of the discussion with the IMF and the World Bank), the future monetary policy targets, exchange rate policy, fiscal policy developments (decreasing the deficit by compression of expenditures or by increased revenues), restructuring policy targets, developments in the area of subsidies and administrated prices;

d. Preparation of exogenous variables (GDP growth, growth rates of agriculture, industry and private services, real exchange rate, exogenous components of the balance of payments - workers remittances received and paid, investment income, unrequited transfers paid and received by the Government, by the private sector, direct foreign investments, portfolio investments);

e. Simulation of many iterations between the policy assumptions and the assessment of the exogenous targets in order to obtain consistent and reliable forecasts.

The assumptions established within the model algorithm may be split up into three groups: technical coefficients; behavioral relations; policy decisions.

It is absolutely necessary to set up a number of technical parameters: the share of currency in circulation in M2, the share of term deposits in M2, the average rate of interests for external debt, the average maturity of the external debt.

Behavioral relationships refer to variables in real terms and to price variables (for example, relation between investment and GDP growth in the form of an incremental capital output ratio (ICOR), imports elasticity in relation to GDP and to real exchange rate, employment elasticity in relation to economic growth in agriculture, industry and private services, etc.), to the pricing policy of commercial banks (average interest rate in real terms offered by commercial banks on deposits and the difference between this one and the interest rate applied to credits), and to the short term evolution of certain components of the balance of payments (direct investments, net portfolio investments, external credits on medium and long term for the monetary sector or for the private sector).

The most important set of assumptions necessary to the model refers to the political decisions adopted by the Government. The model should

reflect the changes that could result during the forecasting period and the most suitable moment of application. These assumptions could refer to budgetary revenues (taxation rates on profits, wages, VAT, excises, custom duties), budgetary expenditure (growth rate of employment and wages in the Government sector, growth rate of material expenditures, transfers, subsidies, and capital expenditures), monetary policy (financing of the budget deficit, real interest rate of treasury bonds), other governmental objectives and policies (external versus internal financing of the consolidated budget deficit).

The model was applied to develop three scenarios, P1, P1b and P2, of which the first two were “reference scenarios” whose main objective was to point out the difficulties and constraints which the economic policies would have to face in the forecast period.

Scenario P1b is identical to P1, except for the calculation procedure of the external debt service. The objective of this scenario is to provide a projection tool which should produce more accurate forecasts of the balance of payments, based on the information provided by the National Bank on the time schedule of new disbursements on agreed loans, as well as of interest and repayments due on the outstanding debt.

Scenario P2 was implemented in order to assess the impact of the policy measures agreed by the Government with the IMF.

The basic assumptions on the future developments of the real economy are the same for all the three scenarios, differing only as regards the general consolidated budget and the balance of payments. From a technical point of view, the endogenous mechanisms of the projection model approximate very reasonably the evolution of the accounts of public finance. However, inconsistencies in the data on domestic debt and the foreign debt remain to be clarified.

The projections were used as a support for the macroeconomic analyses regarding the government policies impact over the orientation of economic growth in the Romanian restructuring of economy, during 1998-2004 particularly, the preparation of simulations to analyze the consistency and feasibility of the medium-term strategy and the elaboration of the Public Investment Program.

The main conclusion which can be drawn from this exercise is that Romania should relatively easily achieve its targets regarding the reduction of external imbalances. Monetary targets might be more difficult to achieve,

unless the velocity of money, which remains very high, continues to diminish. The main risks are related to the budget targets: because of a declining GDP, the fiscal revenues threaten to come short from what was forecasted. This threat would justify corrective measures such as, for example, the cancellation of the program of reduction in income taxes or in social security contributions.

3. Conclusions

The presented model is an improved version of the financial programming model RMSM-X used for the quantitative assessment of the Romanian Government Program and for the establishment of the development scenario attached thereto. From this perspective, the model becomes an operational tool to check the consistency between the macroeconomic forecasts and the budget programs approved by the Budget Law.

An important conclusions resulting from the model as regards the medium term evolutions in times of economic crisis is that only the introduction of structural reforms (retrenchment of the state from activities where it only contributes to generate losses) in the government program of stabilization measures (together with monetary and fiscal policy) can lead to the situation where stabilization can be supported by and lead to a sustainable growth.

The stimulation of growth by other measures than those of the structural reforms would immediately put the current account and government deficits under pressure. As these deficits are already difficult to fund, the major macroeconomic equilibrium would be disrupted and the only tangible result would be a vicious circle of inflation and depreciation, which would undermine any growth prospect and create an environment even more difficult to implement structural reforms.

Generally, three major factors explain the slowdown of progress in implementing the structural reforms:

- political reasons: lack of consensus on the magnitude and the direction of reforms and the desire of groups controlling vested interest to maintain their position and extract rents from it;
- the fear of the adjustment costs; in particular, it is often believed that not maintaining existing social subsidies and workers' jobs

(mainly in the public sector and public companies), whatever the effectiveness, would entail socially and politically unaffordable costs;

- the lack of experience in administration, which is not technically capable to assess the costs and benefits of various policy alternatives, to formulate economic policy strategies and prepare the supporting measures, to monitor the adopted economic policies.

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MODELLING EMPLOYEE ENGAGEMENT IN RELATION TO CSR PRACTICES AND EMPLOYEE SATISFACTION

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Abstract

Nowadays, companies are becoming more and more interested in internal marketing tactics in order to ensure a lower turnover rate, employee engagement and satisfaction. Also, giving the pressure global companies are experiencing from their stakeholders in getting involved in corporate social responsibility practices, they are considering sustainable initiatives to engage their employees and cater to their stakeholders' demands. Many international companies have an agenda of sustainability and corporate social responsibility, but have yet to overcome many challenges regarding the creation of staff engagement in the successful implementation of these techniques. Strategic internal marketing has the potential for to become a strategy of employee valorization, in the long-term profit maximization perspective, while the company's image can be enhanced and the sustainable practices can be the subject of viral marketing, with positive effect in the short term. This paper is based on the premise that internal marketing is an important tool in activities that have employee engagement as an important goal to achieve within any company, in general, and especially in a green company.

Keywords: *internal marketing, employee engagement, employee satisfaction, corporate social responsibility, green marketing, structural equation model*

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1. Introduction

Sustainability, green marketing, corporate citizenship, responsible business, corporate social responsibility - all of these concepts involve techniques, activities, programs, strategies and proactive solutions companies are trying to pursue in order to respond to social problems and environmental challenges.

Nowadays, for progress and industrial development to meet the requirement of sustainability, organizations need to address macro issues and challenges, such as economic efficiency (innovation, productivity, profitability), social fairness (poverty, community, health, human rights) and responsibility towards the environment (climate change, land use, biodiversity).

However, in terms of pursuing a sustainable corporate behavior, and green practices in day-to-day business activities and operations, companies tend to relate sustainability in various ways adapted to their line of business. A sustainable corporate behavior has the potential to affect all aspects of a company's operations and all the value creation level in order to maximize the return on capital. In an effort to improve their corporate social responsibility practices, companies are also paying attention to cause-related marketing campaigns, which is a commercial agreement which is based on a win-win situation for both participants: the company and supported social causes (Anghel, Grigore and Rosca, 2011).

Companies are the subject of different sources of pressure to pursue sustainability from various stakeholders - employees, customers, consumers, value chain partners, competitors, investors, non-governmental agencies, the media, governments and society at large. But in order to be successful at changing certain business aspects and turning them green, companies need to have the support and positive feedback from employees.

The early conceptualization of internal marketing states that personnel represents the first market of any organization, and that employees should be treated as internal customers, whereas jobs as internal products (Berry, 1981; George and Gronroos 1989; George 1990). Moreover, internal marketing has been described as a philosophy for managing the organization's human resources based on a marketing perspective (George and Gronroos, 1989).

Recently, the implementation of internal marketing programs has gained momentum especially in the present context that puts so much emphasis on sustainability for different types of external customers. However, in order to meet the needs of external customers, companies need support from their internal customers, in order to achieve such green practices, while considering employee satisfaction and engagement.

2. Theoretical Development

2.1. Employee Perception of CSR Activities

From a business perspective, one can argue that corporate social responsibility and being a good corporate citizen can give companies a competitive edge. However, such green or social practices start from within a company and they need employee support of such ventures.

CSR has its roots in stakeholder theory (Carroll, 1991). According to the central proposition of stakeholder theory, the long term value of a company rests as much on the knowledge, abilities, and commitment of its employees as on its relationships with investors, customers, and other stakeholders (Wheeler & Sillanpää, 1997; Lee, et al., 2012).

Carroll (1991) proposed a four-part definition of CSR, stating that organizations have four major responsibilities – economic, legal, philanthropic, and ethical. Studies in this research area suggest that the successful application of corporate social responsibility practices starts with the employees' perception of such tactics. Employee perception of CSR activities can be viewed as the degree to which employees perceive a company supports the activities related to a social cause (Lee, et al., 2012).

2.2. Employee Satisfaction

Companies are constantly looking for new possibilities to make their employees happy and engaged, while sustaining a low turnover rate. Employee satisfaction can be enhanced when the focus is on value co-creation of social and sustainable practices (Bhattacharya, Sen, Korschun, 2007). In terms of employee satisfaction, it is important for a company to create a work environment where staff has decision-making power and accountability in order for them to feel a sense satisfaction, in general, and for practicing sustainability internally, in particular.

The need for internal satisfaction of employees, as well as for the recruitment and retention of capable people, encourages organizations to treat

employees as customers (Berry, 1981) and therefore, to treat jobs as products in order to increase employee satisfaction. The latter aspect involves establishing and building jobs, with features that current or future employees would value and could relate to. In this context, sustainability and green practices can provide an extra level of motivation at work that would eventually lead to satisfaction and loyalty towards the organization.

Figure1. The vicious circle of internal marketing



Source: Adapted from Ahmed and Rafiq, 2002, p. 110

2.3. Employee Engagement

Kahn (1990) was the first researcher to posit that engagement represents a employee's psychological presence when executing an organizational task. Employee engagement, as conceptualized by Kahn (1990), is the harnessing of organizational members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively and emotionally during role performances. Therefore, he proposed that employee engagement is associated with three psychological conditions: meaningfulness, safety and availability.

People are more willing to expend additional effort if they feel they will be protected and rewarded in a way that matters to them. Employees are emotionally and cognitively engaged when they know what is expected of them, have what they need to do their work, have opportunities to feel an impact and fulfillment in their work, perceive that they are part of something

significant with coworkers whom they trust, and have chances to improve and develop Harter et al. (2002). Work engagement is an affective-motivational, work-related state of fulfillment in employees that is characterized by vigor, dedication and absorption (Schaufeli & Bakker, 2004, Xanthopoulou et al. 2009). Engaged employees have high levels of energy, are enthusiastic about their work, and they are often fully immersed in their job so that time flies (Xanthopoulou et al. 2009).

Employee engagement is crucial for an organization's success because employees contribute to the bottom line, while performing work tasks and having an impact on customers (whether they are back-office or front-office).

Harter et al. (2002) concluded from their study that employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations and that these correlations generalize across companies.

Other studies suggest that employee engagement could be a strong factor of organizational performance and success, as it seems to have a significant potential to affect employee retention, their loyalty and productivity (Andre, Sofian, 2012). Ultimately, engaged employees are the most productive, the best team players, and the most committed to organizational goals (Lee, et al., 2012).

3. Research method

3.1. Research context

This paper is based on the premise that internal marketing is an important tool in activities that have employee engagement as an important goal to achieve within any company, in general, and especially in a green company. In consequence, we propose the following two major research hypotheses:

O1. Determining the impact of CSR practices on employee engagement.

H1. Employee perception of CSR activities affects employee engagement to their company positively.

O2. Determining the impact of employee satisfaction on employee engagement.

H2. Employee satisfaction has a positive effect on employee engagement.

3.2. Measurement and Research Instrument

A web-based consumer survey was used for the data collection. All measurement items were newly formed and were aimed at studying employee behavior and reactions towards green marketing practices. Also, all the measurements used 5-point Likert scales ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The psychometric properties of the measures are provided in Table 1. Considering the fact that the scale items were newly compiled, we measured the reliability of the scales used to evaluate the internal consistency of the constructs. Reliability is identified by Cronbach’s alpha with a minimum of 0.70 (Cronbach, 1970; Nunnally, 1978).

Table1. Reliability statistics for construct measure

Scale item	Assigned dimension	Cronbach’s alpha
My company’s commitment to social responsibility (e.g. community support, protecting the environment, etc.) is genuine	Eng1	0.852
At work, I am encouraged to take green initiatives.	Eng2	
My company supports employee volunteering activities.	Eng3	
I am proud to work for my company.	Eng4	
My company does a good job of contributing to the communities in which we live and work.	CSR1	0.768
My company is reducing carbon emissions.	CSR2	
My company is trying to make our data centers more efficient.	CSR3	
Performance on green initiatives is an element of employee evaluation.	CSR4	
My company’s corporate social responsibility efforts have increased my overall satisfaction with working here.	Satis1	0.864
I do feel my company speaks openly and honestly, in terms of internal communication even when the news is bad.	Satis2	
I feel I am treated with dignity and respect by my manager.	Satis3	
I have positive opinions about the degree of flexibility in doing my job.	Satis4	
I feel that my company attracts great talent, people with passion in order to drive success and growth.	Satis5	

My company tries to retain top talent by offering competitive compensation.	Satis6	
My company tries to retain top talent by providing ongoing development opportunities.	Satis7	

3.3 Data Collection

The data collection was achieved by using the professional social networking site LinkedIn. A brief description of the survey and a URL address was posted as messages for employees (and personal connections) of ten multinational companies, namely Facebook, Google, Procter & Gamble, Unilever, General Electric, Amazon.com, Best Buy, The Coca – Cola Corporation, Microsoft, and Starbucks.

The online survey provided 52 usable responses. Considering the fact that we approached 170 personal connections of our network of professionals, we achieved a valid response rate of 30.58%. Regarding the employees' profiles, most of the respondents were males (57.7%). Most of the employees who responded to this survey are currently working in United States of America (69.2%). Also, most of the responses came from Facebook (19.2) and Google (15.4%) employees. More information regarding the respondents' profiles can be observed in Table 2.

Table2. Respondents' profiles

Company	Sex	Country	Age	Percentage
Amazon.com	Male	USA	25 - 29 years old	5.8%
			20 - 24 years old	1.9%
			30 - 34 years old	1.9%
			35 - 39 years old	1.9%
Best Buy	Female	USA	35 - 39 years old	3.8%
The Coca – Cola Corporation	Female	United Kingdom	20 - 24 years old	1.9%
		Romania	20 - 24 years old	1.9%
		Ireland	35 - 39 years old	3.8%
Facebook	Male	United Kingdom	35 - 39 years old	3.8%
		USA	25 - 29 years old	5.8%
			30 - 34 years old	1.9%
	Female	USA	35 - 39 years old	3.8%
	Google	Male	USA	25 - 29 years old

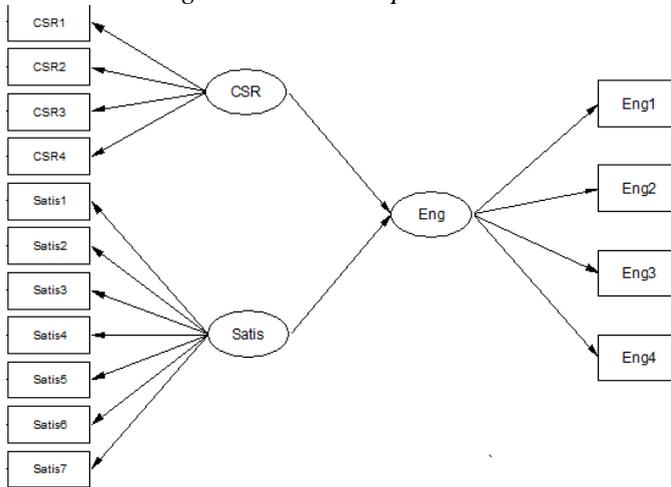
			30 - 34 years old	3.8%
	Female	United Kingdom	25 - 29 years old	3.8%
		USA	30 - 34 years old	3.8%
General Electric	Male	USA	20 - 24 years old	3.8%
			35 - 39 years old	3.8%
Microsoft	Male	USA	25 - 29 years old	1.9%
			35 - 39 years old	3.8%
	Female	USA	30 - 34 years old	3.8%
Procter & Gamble	Male	China	25 - 29 years old	3.8%
	Female	Argentina	25 - 29 years old	1.9%
		Brazil	30 - 34 years old	1.9%
Starbucks	Male	SUA	40 - 44 years old	3.8%
	Female	SUA	30 - 34 years old	5.8%
		SUA	35 - 39 years old	1.9%
Unilever	Female	Brazil	25 - 29 years old	3.8%
			30 - 34 years old	1.9%
		France	30 - 34 years old	1.9%

3.4. Structural equation model

Structural equation modeling estimates the unknown coefficients in a set of linear structural equations, as it assumes there is causal structure among a set of latent variables, and that the observed variables are indicators of the latent variables. A structural equation model represents a series of hypotheses about how variables in the analysis are generated and related (Hu & Bentler, 1999).

Figure 2 presents the testing model with all the indicators of the hypothesized relationship between two latent variables, namely CSR and employee satisfaction, and a dependent variable, namely employee engagement, while all three of these variables are in connection to several directly observed variables.

Figure 2. The conceptual model



Notation: Eng= Employee engagement, CSR = Corporate social responsibility, Satis= Employee Satisfaction, CSR1-4, Satis1-7, Eng1-4 are available in Table 1

4. Results

The hypotheses were tested using the LISREL structural model. Following Hu & Bentler (1999), we tested the full structural model. Overall, the findings of the research show support for model fit and can be judged acceptable, with the following indicators Comparative Fit Index (CFI)=0.98, Relative Fit Index (RFI)=0.96, Goodness of Fit Index (GFI)=0.95, Root Mean Squared Error of Approximation (RMSEA) = 0.058, and Standardized Root Mean Square (SRMR)=0.08.

With good fit indices, we moved on to study the correlation and covariance values of the directly observed values in the research instrument, namely the 5-point Likert scales. All the latent-trait correlations between constructs were found to be significantly different from each other, establishing discriminant validity of the research variables that we will be using in the structural equation model.

Correlations help to determine the strength of the association between the directly observed variables of the current study, whereas covariance represents a systematic relationship between two variables in which a change in one

implies a corresponding change in the other. Table 3 includes this information about the observed variables.

Table3. Correlation and covariance values for the observed values of the model

		CSR 1	CSR 2	CSR 3	CSR 4	Satis 1	Satis 2	Satis 3	Satis 4	Satis 5	Satis 6	Satis 7	Eng 1	Eng 2	Eng 3	Eng 4
CSR 1	Cor	1														
	Cov	0.974														
CSR 2	Cor	0.370**	1													
	Cov	0.459	10.57													
CSR 3	Cor	0.435**	0.719**	1												
	Cov	0.558	10.17	10.69												
CSR 4	Cor	0.323*	0.484**	0.365**	1											
	Cov	0.262	0.500	0.391	0.677											
Satis 1	Cor	0.367**	0.318*	0.381**	0.162	1										
	Cov	0.373	0.412	0.510	0.137	10.05										
Satis 2	Cor	0.252*	0.256*	0.391**	0.138*	0.467**	1									
	Cov	0.305	0.394	0.621	0.139	0.588	10.49									
Satis 3	Cor	0.205*	0.317*	0.418**	0.231*	0.380**	0.323*	1								
	Cov	0.152	0.300	0.409	0.143	0.294	0.297	0.565								
Satis 4	Cor	0.299*	0.683**	0.775**	0.430**	0.478**	0.394**	0.497**	1							
	Cov	0.446	10.30	10.52	0.535	0.745	0.729	0.565	20.29							
Satis 5	Cor	0.448**	0.468**	0.662**	0.382**	0.319*	0.341**	0.648**	0.647**	1						
	Cov	0.475	0.632	0.925	0.337	0.353	0.448	0.523	10.052	10.153						
Satis 6	Cor	0.358**	0.385**	0.661**	0.322*	0.334*	0.305*	0.606**	0.734**	0.803**	1					
	Cov	0.443	0.607	10.08	0.333	0.431	0.469	0.573	10.39	10.08	10.57					
Satis 7	Cor	0.488**	0.651**	0.687**	0.439**	0.302*	0.240	0.475**	0.670**	0.671**	0.614**	1				
	Cov	0.517	0.878	0.959	0.388	0.333	0.315	0.383	10.08	0.774	0.828	10.15				
Eng 1	Cor	0.295*	0.260*	0.266*	0.119*	0.547**	0.335*	0.366**	0.484**	0.284*	0.384**	0.378**	1			
	Cov	0.324	0.364	0.386	0.109	0.627	0.457	0.307	0.817	0.340	0.538	0.452	10.24			
Eng 2	Cor	0.399**	0.662**	0.653**	0.233*	0.560**	0.405**	0.430**	0.795**	0.556**	0.644**	0.674**	0.538**	1		
	Cov	0.483	0.990	0.994	0.235	0.706	0.606	0.396	10.47	0.731	0.991	0.887	0.734	10.50		
Eng 3	Cor	0.263*	0.146*	0.175*	0.289*	0.453**	0.576**	0.295*	0.310*	0.251*	0.305*	0.254*	0.423**	0.444**	1	
	Cov	0.186	0.131	0.163	0.052	0.333	0.504	0.051	0.227	0.116	0.095	0.195	0.337	0.389	0.511	
Eng 4	Cor	0.452**	0.455**	0.571**	0.364*	0.499**	0.505**	0.377**	0.492**	0.525**	0.485**	0.473**	0.462**	0.518**	0.267*	1
	Cov	0.341	0.437	0.567	0.103	0.392	0.472	0.216	0.569	0.431	0.465	0.388	0.394	0.485	0.146	0.584

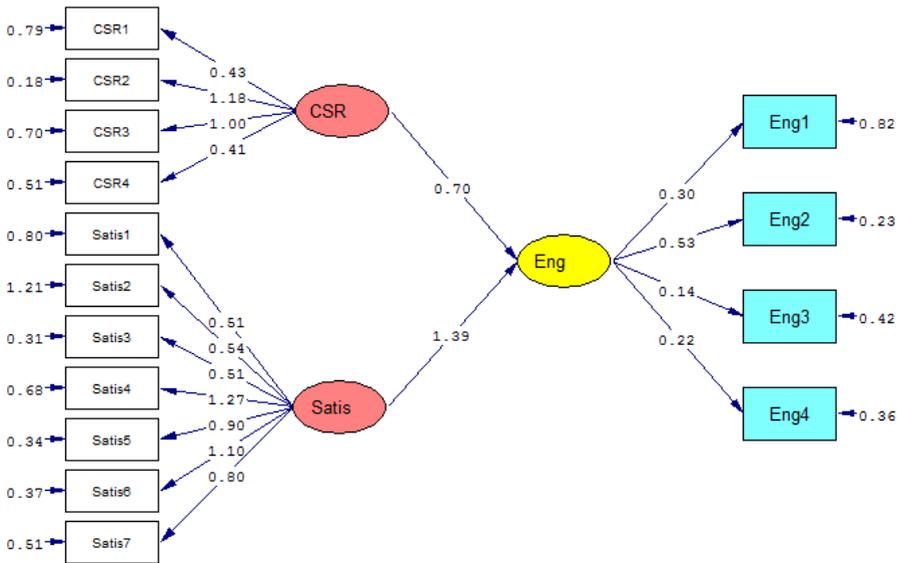
** Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed).

Notation: Eng= Employee engagement, CSR = Corporate social responsibility, Satis= Employee Satisfaction, CSR1-4, Satis1-7, Eng1-4 are available in Table 1

Although all the correlations were deemed significant whether at a 0.01 or a 0.05 level, a high level of correlation and covariance was displayed for the companies' CSR activities of reducing carbon emissions and making data centers more efficient (CSR2 and CSR3). Regarding employee satisfaction, it can be observed that retaining top talent through competitive compensation (Satis6) has increased correlation and covariance values in relation to job flexibility (Satis4) and attraction of great talent (Satis5). Moreover, for employee engagement, a notable relationship exists between the genuine commitment to social responsibility (Eng1) and the encouragement of pursuing green initiatives at the workplace.

Furthermore, we advanced our analysis towards the structural equation model proposed. The path diagram displays the estimates of the latent variables and each of their indicators, as well as the relationship between the latent independent variables (corporate social responsibility and employee satisfaction) and the dependent variable (employee engagement) assigned in this research.

Figure 3. Estimates of the structural equation model proposed for this research



Notation: Eng= Employee engagement, CSR = Corporate social responsibility, Satis= Employee Satisfaction, CSR1-4, Satis1-7, Eng1-4 are available in Table 1

Table 4 and Figure 3 provide the coefficient estimates of the model, their significance, and standardized values of the coefficients. The squared multiple correlation coefficients (R^2), describe the amount of variance the common factor accounts for in the observed variables, are also displayed in Table 4.

Table4. Model test results

Relationship tested	Parameter estimates	Errorvar.	T-value ^a	Standardized estimates	R ²
Eng1→Eng	0.30	0.82	3.20	0.53	0.28
Eng2→Eng	0.53	0.23	3.93	0.90	0.80
Eng3→Eng	0.14	0.42	2.40	0.38	0.24
Eng4→Eng	0.22	0.36	3.39	0.57	0.32
CSR1→CSR	0.43	0.79	3.08	0.43	0.19
CSR2→CSR	1.18	0.18	7.63	0.94	0.89
CSR3→CSR	1.00	0.70	5.91	0.77	0.59
CSR4→CSR	0.41	0.51	3.60	0.50	0.25
Satis1→Satis	0.51	0.80	3.65	0.50	0.25
Satis2→Satis	0.54	1.21	3.16	0.44	0.20
Satis3→Satis	0.51	0.31	5.29	0.67	0.45
Satis4→Satis	1.27	0.68	7.25	0.84	0.70
Satis5→Satis	0.90	0.34	7.26	0.84	0.71
Satis6→Satis	1.10	0.37	7.74	0.87	0.76
Satis7→Satis	0.80	0.51	6.11	0.75	0.56
CSR → Eng	0.70	1.00	2.50	0.38	0.71
Satis → Eng	1.39		3.26	0.75	

^aBased on one-tailed tests, t-values greater than 1.65 are significant at $p < .05$; t-values greater than 2.33 are significant at $p < .01$.

The path coefficients developed for this model can be used to test the hypotheses. As it can be observed from the results presented, overall, for the respondents of the research, corporate social responsibility practices and employee satisfaction had a significant effect on employee engagement in day-to-day work activities and green marketing practices.

However, the final structural equation is:

$$\text{Eng} = \underset{2.50}{0.70} * \text{CSR} + \underset{3.26}{1.39} * \text{Satis}, \text{Errorvar.} = 1.00, R^2 = 0.71$$

implying that employee satisfaction at work has a stronger impact on employee engagement in green marketing practices, than perception of corporate social responsibility activities supported by the companies in this study.

Considering the observable variables, encouragement and proactivity in green initiatives (Eng2) has the most prominent effect on the latent variable, employee engagement. A positive and strong perception of corporate social responsibility activities is determined by the companies' practices of protecting the environment, as a result of their operational activities, by reducing carbon emissions (CSR2) and energy consumption through data centers (CSR3). Regarding the employee satisfaction, this latent variable is highly influenced by degree of flexibility at their workplace (Satis4) and the companies' efforts of retaining top talent by offering competitive compensation (Satis6).

5. Discussion and Conclusion

5.1. Theoretical Contribution

The primary objective of this study was to examine the relative impact of corporate social responsibility and employee satisfaction on employee engagement. The results of this study revealed a stronger connection between employee satisfaction and employee engagement than between corporate social responsibility tactics pursued by different companies and employee engagement. Through this research we provided valuable insights from employees of ten of the biggest companies in the world, ranging from online companies to beauty products companies.

The examination of this study shows that the employees who work for ten of the biggest multinational corporations, tend to exhibit higher levels of engagement at work when their satisfaction is more prominent, over CSR practices probably as they feel these initiatives are dictated by their companies. Therefore, our study shows that employee satisfaction is a more important factor in driving employee engagement, than corporate social responsibility activities.

Moreover, the current research suggest that employee perception of CSR practices has to be improved in order to appeal to staff and trigger engagement in green initiatives, and further increase their satisfaction and decrease their turnover. Studies (Bhattacharya et al., 2008) show that employees prefer the idea of working for socially responsible companies, believing that such firms give them more opportunities for personal growth. However, only sustainable programs that are appealing to employees should be considered.

Also, this study contributes to the theory in this area of expertise by presenting new reliable scale measurement that can be used to examine employee engagement, employee satisfaction and employees' perception of CSR activities.

5.2. Managerial implications

The findings of this research are of great importance to companies, as they affirm that satisfaction at the workplace can lead to higher levels of involvement of their employees in different activities, in general, and in pursuing green marketing techniques, in particular. This aspect is especially true in the sense that employees have to feel a connection to the practices that can have a positive output on the environment, their community or other social activities that require levels of engagement that go beyond their daily work tasks and of what is expected of them. In order to achieve a better targeting of practices that engage a company's employees, a marketing information system (Orzan, Cetinã and Mihail, 2008) should be developed at an internal marketing level, also.

Companies can nurture employee engagement through various green marketing programs. Managers must create internal products that engage staff in social responsibility and sustainability activities. An important element in forming the new domestic product for engaging employees in the sustainability philosophy should be to change the traditional rewarding systems (mainly the financial ones that are easily copied by competitors) to a total reward system that should cover all the values employees are experiencing in their working environment (Grayson, Sanchez-Hernandez, 2010). Thus, the compensation system should not only involve money, and other techniques can be implemented to increase employee satisfaction and engagement in green and social activities, such as:

- *Corporate responsibility champions or sustainability champion*: This can be a staff member who is interested in actively helping improve the social responsibility and sustainability programs of the company. The sustainability champion is a volunteer who is encouraged to supply and support the development of the sustainable strategy with any ideas, suggestions and even complaints about the sustainable performance of the organization (Exter, 2009);
- *Green Teams*: These were defined as participatory and interdepartmental groups, with the ability to unlock new ideas,

innovation and creativity, in order to "sell" the idea of sustainable benefits to all the departments of a company that seeks to develop sustainable programs (Beard, Rees, 2000);

- *Social Intrapreneurs*: While social entrepreneurship occurs in start-ups, social intrapreneurship occurs in already existing companies. The social intrapreneurs are defined as people in a multinational corporation who take direct initiatives for innovations that address social and environmental challenges, in a profitable way for the company (Grayson et al., 2011).

5.3. Limitations of the research

This research must also be interpreted in the context of its limitations. Firstly, the data for this study was collected from a limited number of employees from ten widely recognized companies (Amazon.com, Best Buy, The Coca – Cola Corporation, Facebook, Google, General Electric, Microsoft, Procter & Gamble, Starbucks, Unilever), and while the respondents chose to be a part of this research, it does give the research a restrictive generalizability.

Secondly, we did not include in our online survey any of the scales previously used in other studies to comply a unified vision of the three dimensions explored in this research, namely corporate social responsibility, employee satisfaction, and employee engagement. Even though, the scales were deemed reliable, they could have included a broader range of Likert statements.

Thirdly, this study did not include several control variables or mediator variables such as work experience, work environment conditions to observe other dimensions that could lead to a better understanding of the relationships proposed in this paper.

In conclusion, this study provides various new ways to improve the assessment and to add the other important variables, and thus expand the future research in this direction of observing the drivers of employee engagement in a company pursuing green marketing tactics.

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THE PUBLIC SECTOR EFFICIENCY FROM PERSPECTIVE OF THE CORRUPTION PHENOMENON

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Abstract

Corruption in the public sector has adverse effects over the efficiency of the public spending, over the public sector's performance; it also undermines the confidence in the public institutions and leads to an unnecessarily increase of the cost of the public transactions. The high level of corruption in Romania is the main factor that has a negative impact over the effectiveness of the public actions. The economic consequences are related to the lower foreign investments and to the slow development of the private sector, the development of the underground economy, the irrational use of the public financial resources that affect the public sector's performance. In 2011, Romania occupies the last position among the EU analyzed countries in terms of corruption control, at an insignificant distance from Italy, Greece and Bulgaria. In the fight against corruption, an increased attention should be given to proactive measures; to the prevention measures of such acts, once committed will trigger a chain reaction. It must also be kept in mind that corruption doesn't only have economic and political causes, but it is primarily found in human nature. For Romania, in the context of the financial and economic crisis, the only solution is to combat corruption, namely protecting the public resources from the risks associated to corruption.

Keywords: *corruption, public funds, efficiency, performance*

JEL Classification: *D73*

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1. Introduction

Corruption is a phenomenon that is found both in developed countries and in the developing countries, but at different levels and it can be noticed a higher inclination of the poorer countries towards corruption acts than the one present in the developed countries. Corruption is a worldwide spread phenomenon, with which both the developed and those in developing countries, market and centralized economies are faced with and does not have its roots in the current period.

Since 1983, David J. Gould and Jose A. Amaro Reyes, in a World Bank study "The Effects of Corruption on Administrative Performance. Illustrations from Developing Countries" found that "corruption has a deleterious, often devastating, effect on administrative performance and economic and political development." (Gould, Reyes, 1983)

Defining this concept and measuring the phenomenon still leaves room for many debates, despite the attention paid to this phenomenon both by international organizations and by renowned scientists.

U. Myint, in his paper "Corruption: Causes, Consequences And Cures" defines corruption as the use of public function for private gain, or in other words, the use of the official position, rank or status for its own benefit. Following this definition, examples of corrupt behavior would include: (a) bribery, (b) extortion, (c) fraud, (d) embezzlement, (e) nepotism (f) use of public assets and property public for private use, and (g) influence peddling. Some corruption acts such as fraud and embezzlement can be undertaken by a single officer without involving any other party. While others, such as bribery, fund extortion and influence peddling involve two parties – the corrupted person and the corruptive person. The corruption acts that involve two parts derive from various circumstances, such as (Myint, 2000):

- In the case of the public procurement contracts: bribery can influence the award of the contract, the terms of the contract;

- In the case of granting some state benefits: bribery can influence the allocation of the monetary benefits, such as credit subsidies, the favored prices and the exchange rates. The bribe can also be important in obtaining licenses and permits needed to engage in certain strategic economic activities. Additionally, bribe may be used to obtain benefits in kind, such as access to

privileged schools, to subsidized medical care, subsidized housing and also to privatization processes;

- In cases involving levies to the state budget: bribe can be used to reduce taxes, fees, custom taxes owed to the state budget by the private sector actors;

- In cases where it is desired to save time and avoid regulations: bribery can accelerate granting of permits and licenses needed to conduct certain activities, even if these activities are perfectly legal;

- In cases where it is intended to influence the legal consequences of an action: bribery can be used to provide incentives for the legal authorities in order not to apply sanctions when the private partner is illegal.

The Organization of the United Nations, in the paper "Prevention: An Effective Tool to Reduce Corruption" identifies the types of corruption according to the size of the phenomenon, an aspect which is important to know when designing the anti-corruption measures (ONU, 1999):

- Low level corruption, practiced by the public officials who can basically be decent and honest as individuals, but who are extremely underpaid and depend on bribery from the public to maintain.
- High-level corruption, seen in the situation of some public officials and politicians who make decisions that involve public procurement contracts or large projects financed from external funds. This corruption is motivated by personal greed. Money or assets acquired from the corruption acts are usually transferred to individuals or to certain political parties.
- Episodic corruption, "honest behavior is the norm, the corruption is the exception and the dishonest public official is disciplined when it is caught".
- Systemic corruption is a strong form of corruption, which raises chain implications, and the system in question can only survive through further corruption acts.

A research direction is assigned to identifying the apparition causes of this phenomenon. Matei A., Andrei T. and Rosca I.G. in the paper "The Corruption. An Economic and Social Analysis " identifies four factors that are the direct causes of the corruption acts incidence, namely (Andrei, Matei and Rosca, 2009):

1. Political and legislative factors that relate to the quality of the political system in general, the quality and rigor of the legal regulations, building and organizing institutions with the role of fighting corruption, the existence of a democratic regime in fact, the decentralization level.
2. Historical, traditional factors, which usually influences the propagation of the intergenerational phenomenon.
3. Social and cultural factors.
4. Economic factors, which refer to the openness degree of the national economy, to the size of the public sector and to the public sector payroll.

2. The Level of the Corruption versus the Efficiency of the Public Sector in Romania

Corruption in the public sector has adverse effects over the efficiency of the public spending, over the public sector's performance; it also undermines the confidence in the public institutions and leads to an unnecessarily increase of the cost of the public transactions. Corruption is a scourge that has spread to all the public sector activities: in the control activity of collecting and using the public funds, in the activity regarding public acquisitions, in the privatization process and in the whole public sector area. I believe that the high level of corruption in Romania is the main factor that has a negative impact over the effectiveness of the public actions. A series of national priorities, a series of efficiency and recovery measures, of reforming the system, are all set in vain, they will all remain in words without having any concrete result or in the measure of the effort involved if there is no conscious towards the management of public assets, if sincere efforts will not be made in order to eradicate corruption surrounding the public sector and between the relations between the public and private sectors.

Corruption is generally linked to the state activities and involves serious consequences, of social and economic nature. It exacerbates poverty, either directly through lowering the living standard, or indirectly through accentuating income inequality; it can have negative influences over the quality of life. The economic consequences are related to the lower foreign investments and to the slow development of the private sector, the

development of the underground economy, the irrational use of the public financial resources that affect the public sector's performance.

For these reasons, the measurement of corruption and the analysis of its consequences are crucial in the current researches. In recent years, more and more studies aimed at identifying the causes of corruption, at estimating the effects of corruption acts over the economic and social development of the nations. The importance of corruption as a factor that prevents a sustainable economic development, which constitutes as an obstacle to the national competitiveness, has also been acknowledged by international bodies such as the International Monetary Fund, the World Bank, the Organization for Cooperation and Economical Development which support a series of active measures that combat corruption acts. For the same reasons the non-governmental organization, Transparency International, which advocates for transparency of the decisions made in the public sector, and monitors the level of the corruption worldwide and nationally through some indices.

Considerable efforts are being made in order to measure the level of corruption, thus in the literature several indicators for measuring corruption are being identified, each expressing aspects of the phenomenon, being calculated for some countries and for different periods of time.

According to the **Corruption Perception Index** released by **Transparency International**, which monitors corruption in the public sector, in 2009 Romania gets 3.8 points out of 10 and ranks position 71, so Romania is in the last place in the ranking of the EU member states, together with Bulgaria and Greece. In 2010, Romania ascends 2 steps in the ranking getting on position 69, but in 2011 we can see, according to this index, a worsening of the situation in Romania, ranking 75 out of the 183 countries analyzed and position 25 among the EU Member States, being followed only by Greece and Bulgaria. The year 2012 brings for Romania position 66 out of the 176 countries analyzed by Transparency International for this year, which means position 24 among the EU countries, followed by Italy, Bulgaria and Greece. The year 2012 is the first year in which Romania records a significant increase of the score and position. The EU countries that manage to keep the level of the corruption under control are: Denmark, Finland, Sweden, Netherland and Luxembourg.

Transparency International Romania considers that these results derive from the lack of strategic coordination regarding the legislative and

institutional measures, which led to an excessive vulnerability of all pillars of integrity and to damaging the credibility of reforms and of Romania in general. One of the worst affected pillars was the judiciary system, for which there is no coherent strategy for further reforms. Another pillar that was seriously affected was the public procurement one and the one that generally uses public resources, a pillar that had the greatest impact on the business environment. Dismantling the safety mechanisms in the domain of spending public resources, under the conditions of the economic crisis and of the increasing indebtedness of the country, has led to a higher reduction of Romania's competitiveness on the European public funds market, funds that could compensate some of the effects of the financial crisis and which could support the efforts to regulate and fulfill the obligations assumed (Alistar, 2009).

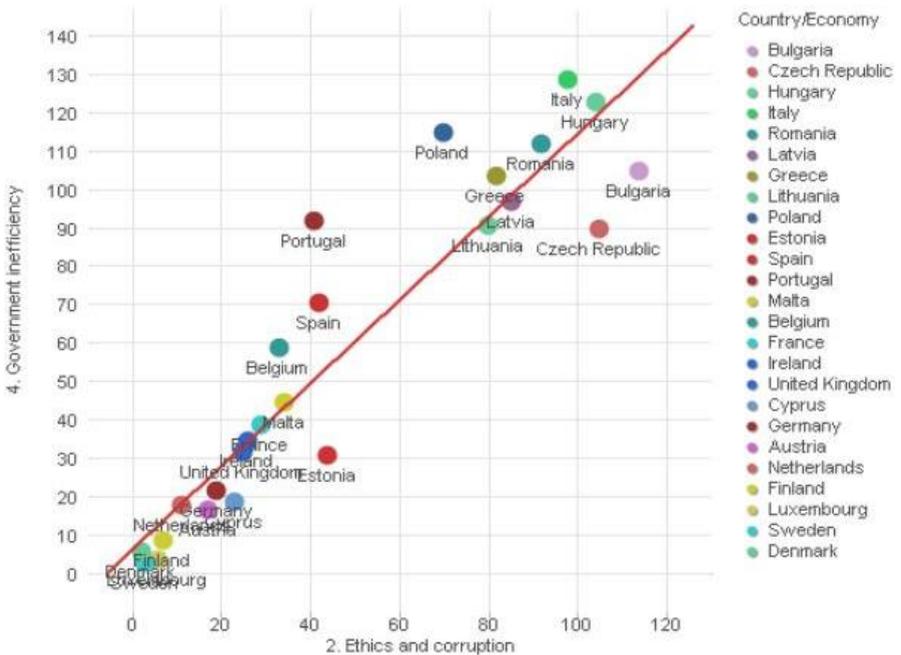
According to the **Global Corruption Barometer**, another index elaborated by **Transparency International**, Romanian people perceive the measures taken against corruption as ineffective. In 2009, 59% of the population, 8 percent more than in 2008, appreciate that the government's anti-corruption efforts are ineffective, and in 2010 83% of the population believes this. Political parties and the Parliament still occupy the top positions among the institutions that are most affected by corruption, third place being occupied by justice. The barometer reveals, however, that Romanians have given bribes especially for health care services, about 22% from respondents admitting paying a certain amount of bribe in the health system in the past 12 months. Meanwhile, 13 percent say they have bribed police officers and 6% admit to have given bribe in the judiciary system.

Transparency International Romania recommends that the authorities increase the transparency degree in planning and using of the public resources in order to remove suspicions of politicization of the resource distribution criteria and to stop the excessive politicization of the public administration and of appointing to public positions based on political clientele, which affects the fairness and integrity in subsequently exerting the function by those appointed in this way.

World Economic Forum, in the report from 2009 over global competitiveness, estimated the level of corruption in the analyzed states with the help of the "**Ethics and corruption**" indicator included in pillar no.1 of competitiveness and which takes into consideration trusting in politicians by the population and the misappropriation of public funds. Romania ranks 92 in

this chapter about corruption, out of the 133 analyzed countries, and the place 22 out of the EU countries with a score of 2.6 (World Economic Forum, 2009). Ranking first among the EU countries is Denmark, with the lowest level of corruption according to this methodology, and on the last position is situated Bulgaria, on position 114 out of all the countries analyzed in the report.

Figure 1: The relation corruption-inefficiency of the public sector in the EU 27 (2009)



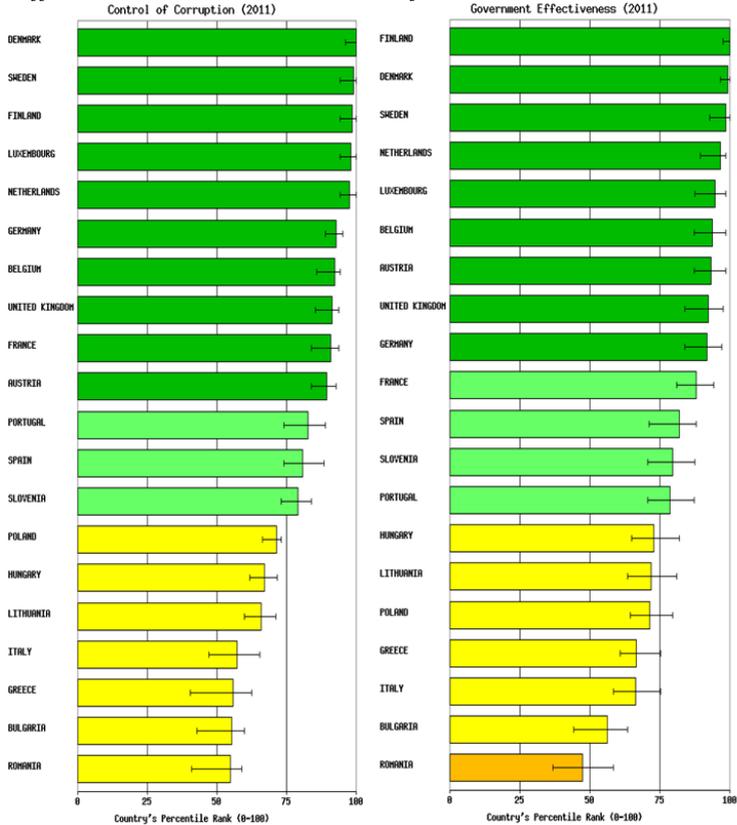
Source: The interactiv report of the „The Global Competitiveness Report”, available at <http://gcr.weforum.org/gcr09/>

In figure no. 1 two indicators created by the World Economic Forum are analyzed and used in building the global competitiveness score, namely: Ethics and corruption, versus the inefficiency of the public sector. **The Ethics and Corruption indicator** has been presented above, and the indicator that measures the inefficiency of the public sector takes into consideration the following national issues: waste of public expenditure, the efficiency of the

legal framework in settling disputes, transparency of public decisions. It can be noticed that there is a strong and direct connection between the two indicators, meaning the countries that have a high corruption degree have also shown inefficiency in public administration. Denmark, Finland, Luxembourg, Netherlands, Austria, Germany are situated on the first position in the ranking of the EU member states in terms of the public sector efficiency and in terms of the low corruption level. In contrast, with a high corruption level and a low efficiency of the public sector are situated the following: Bulgaria, Italy, Hungary, Romania, and Greece. Romania ranks 22 in the corruption level, among the EU countries, a position that indicates a high degree of corruption, and ranks on the 24th place at the inefficiency of the public sector. Relating to all of the 133 countries analyzed, Romania ranks 92 on corruption and 112 on public sector inefficiency.

The World Bank, in the paper "Governance Matters VIII Aggregate and Individual Governance Indicators 1996-2008" it's authors being: Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi, includes **corruption control** among the analyses indicators of the governance quality, along with: voice and responsibility; political stability and the absence of violence, government effectiveness, the quality of regulations, rule of law (Kaufmann, Kraay, Mastruzzi, 2009).

Figure 2 : A comparison between corruption control and government effectiveness in 2011 at the level of some EU member states



Source: Kaufmann, Kraay, Mastruzzi (2010)

As you can see from the chart above (figure no.2), Romania occupies the last position among the EU countries analyzed in 2011 in terms of corruption control, at an insignificant distance from Italy, Greece and Bulgaria. Following the analyzing all of the 6 indicators of the World Bank that characterizes the governance quality at national level has been observed that there is a strong correlation between them, and Romania occupies the following positions among the analyzed EU countries: the last place at the control of corruption; the last place at the voice and accountability indicator;

penultimate place, before Greece at the political stability and absence of violence, at the indicator regulatory quality it is located at a superior position, being followed by Slovenia, Bulgaria, Greece, and the penultimate position, before Bulgaria, at the rule of law.

According to the **European Commission's** publication from February 2012, Special Eurobarometer 374 – Corruption Report, „corruption continues to be one of the biggest challenges facing Europe, it harms the EU as a whole in terms of reducing levels of investment, obstructing the fair operation of the Internal Market and having a negative impact on public finances. The economic costs incurred by corruption in the EU are estimated to amount to around EUR 120 billion per year.(European Commission, 2012)”

Although these indices listed above bring an important contribution to the analysis of the phenomenon, there are critics who argue that these indices provide only one dimension of the perception on corruption by citizens, by the private sector, being useful for comparative analysis between countries but over time they do not allow the direct measurement of the phenomenon, taking into account its components. In this regard there were developed a series of econometric models that allow a direct, quantitative measurement of the corruption. A Romanian reference paper work in the field is "The Corruption. An Economic and Social Analysis " having as authors: Andrew T., Matthew A., Rosca I. G, and which presents a number of models that allow the direct quantification of the global corruption, but also on certain areas, and also an estimation of the corruption acts consequences.

3. Conclusions

Corruption is a widely seen phenomenon, but from the studies mentioned throughout the paper we can notice a higher inclination of the poorer countries towards corruption acts than the one present in the developed countries. In the fight against corruption, an increased attention should be given to proactive measures; to the prevention measures of such acts, once committed will trigger a chain reaction. It must also be kept in mind that corruption doesn't only have economic and political causes, but it is primarily found in human nature. In Romania, the corruption prevention measures should be focused on the following areas: improving the service delivery in the public sector, focusing on the responsibility from the public sector and on the legal form in order to reintroduce the law supremacy, promoting

transparency in the use of the public resource, building a reliable anti-corruption system, including at the level of the Parliament, enforcement agencies, the judiciary system and also at the level of the civil society, in particular by strengthening the non-governmental organizations (NGOs) and of the media; expanding the role of the performance audit in the public sector (Amwar, 2007).

For Romania, in the context of the financial and economic crisis, the only solution is to combat corruption, namely protecting the public resources from the risks associated to corruption. There is a direct link between corruption and poverty, between corruption and the low development level of a country and between corruption and the lack of democracy. Increasing transparency in managing Romania's resources can be a mechanism that would ensure a positive response to the existent global challenges. In this context, the only chance for Romania's development is combating corruption and securing the public resources (Chirac, 2012).

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**IMAGE OF THE LOCAL PUBLIC ADMINISTRATION: MEASURING
THE LEVEL OF UTILIZATION OF PUBLIC INFORMATION
SERVICES AND AUDIENCES**

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Abstract

In the present days, in Romania there is a poor correlation between the objectives of the public communication and the citizens' horizon of expectations. Therefore, at the level of image management of a public institution it is obvious that gaps between reality and perception can appear. In the present paper our scope is to measure the level of utilization by the inhabitants of Bucharest (400 respondents) of the public information services and audiences, the degree of satisfaction towards them, and starting from the primary data we have obtained we want to demonstrate that the citizens' perception of local public administration, particularly towards the aforementioned services – is not an arbitrary one, subjective as it seems at first sight, but on the contrary it defines itself as feedback, an objective reaction to them. Through our lines, we give reasons why a public institution should have a pro-active behaviour towards the citizen and image management should not be an exclusive act of leading the respective institution but rather an effect of all parties involved in the good management of the community.

Key words: *image management, perceived image, local administration, evaluation, providing public data, audience.*

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1. Introduction and theoretical base

1.1. What is image management?

The image of a public institution does not exist as such, „in itself”, but as a result of the intersection of three registers (A, B, C), which are equally important:

- A. reference image (selfimage) or projected - we refer to the way in which the public institution wants to be perceived (and within it we place the objectives of communication);
- B. transmitted image through communication supports (publications, mass media relation, public relation, Internet, etc.) of the wanted image;
- C. perceived image or subjective one which reflects people's opinion on the respective institution.

The sum of the three dimensions forms up a real image (or identity of the public institution). The difficulty lies in achieving coherence between them. The main aim of image management, particularly of institutional communication, lies in the very way they try to draw near the three layers of institutional image in order to reduce the gap between reality and perception. The result of intersecting the three images – as a consequence of the effort of being efficiently managed – forms a real image, an objective one of the institution (identity).

1.2. Necessity and opportunity of image management

In present we can see a real gap between A and C, between selfimage that reflects the citizens' view on Romanian public institution. Mostly, they blame the arbitrary character of perception (as a psychical process), they consider that the perceived image (C) is always subjective and arbitrary, and also blame the lack of objectiveness of mass media (B – transmitted image) which takes sides (eg voices the funder's point of view).

Why should be a minimum coherence of the three layers of image? The aim of image management, particularly institutional communication is to draw near the three levels of image so that we could have the real image of the institution, its very identity.

The process of image building (A) of a public institution is complex and it takes time to build it, but it can rapidly be demolished unless the institution takes protection measures. It should adapt to the times in order to

show the public that it is evolving with time. The process consists of an assembly of phenomena having the purpose of reflecting institutional reality as it is – unvarnished, starting with its „infrastructure”, that is organizational culture, then passing through all communication directions (information, training, promoting services, civil communication campaigns etc.) towards products quality which are provided to the citizen, visual identity, social activities to which the community takes part in. The sum of efforts to build a specificity is eventually „crystallized” in identity and credibility, then if the positive image is persistent in time, the reputation and notoriety of institution takes contour. The second component of image (**B** - transmitted image) – refers to „all communication supports (advertisement, mass media relation, Internet, etc.) it translates the reference image, institution communication objectives” (Jézéquel and Gérard, 2012, p. 30). Mass-media should be an important partner for public institution, it can facilitate or on the contrary can complicate (Lohisse, 2009, p. 194 and Libaert, Westphalen, 2009, pp. 405 - 411) the modelling of a positive image.

One can notice that public image depends on many factors and it is deeply rooted in human perception, therefore it is very fragile. According to specialty articles and work, it is defined as „a favorable representation which an organisation or institution has among people with the aim of attracting the clients’ liking” (Haineş, 2010, p. 141), or „an opinion which a citizen makes about the character and personality of the institution” (Haineş, 2008, p. 166).

1.3. The scope of the present paper

The of the present paper is measuring the third register of the image (**C**), to show which is the utilization level of different services/public communication, especially supplying public data and audiences to the inhabitants of Bucharest city. In this respect, we used a survey based on a questionnaire – 400 respondents. The primary data have been processed using SPSS. After interpreting the data, we will show that the perceived image (**C**) is not so subjective as it seems at first sight, but on the contrary it defines as a normal reaction, feedback to the two components of the image (**A**, **B**), it possesses a high degree of objectiveness.

As a result of the answers provided by the citizens of Bucharest regarding the two services of public communication – supplying public data and audiences – we have an answer to the question: how public administration can take action in the future in order to improve its image, which its major communicational objectives are. We hope that the present paper will constitute

a proof that public image management should not be an exclusive act, unilateral of leading the respective institution but rather an effect of the involvement of parties interested in the good functioning of the community (public institution, mass media, other communication supports, citizens). Thus, when a public institution projects its image (A), it should consider the population's horizon of expectation – that is citizen (C).

2. Methodology

With the view of determining the level of image of local public administration in Bucharest and how it is perceived by the citizens (C), we formulate two objectives:

1. Measuring the degree of utilization of public services provided by the local public administration in Bucharest;
2. Measuring the degree of satisfaction towards the services of the local public administration.

Starting from these objectives, we propose to verify the following hypotheses:

1. Which is the level of requesting by the Bucharesters the services of public information and audiences?
2. The more direct is the citizen's relation with the local public administration, the higher the satisfaction towards the provided service.

In order to answer these questions, we conducted a sociological survey (Rotaru and Iluț, 2006, pp.79 - 85), to collect primary data regarding the utilization level of services which provide public data and audiences for the Bucharesters. The survey was conducted on a representative sample of adult residents of Bucharest (table no.1). The sample comprised 400 respondents aged 18 and over; error margin is +/- 5%, at a confidence level of 95%. The sample is split proportional with the number of people surveyed in each administrative sector of Bucharest (Chelcea, 2004, pp. 61 – 64).

The stages of sampling:

- setting the population number (at the level of January 2011) for each sector. Thus we established the number of questionnaires needed in each sector;
- setting the number of sampling points for each sector and
- random choice of sampling points.

Table 1: Distribution of questionnaires on sectors

Sectors	Population	% out of total population	Number of questionnaires
Bucharest, sector 1	227,717	11.7	47
Bucharest, sector 2	357,338	18.4	74
Bucharest, sector 3	399,231	20.5	82
Bucharest, sector 4	300,331	15.4	62
Bucharest, sector 5	288,690	14.8	59
Bucharest, sector 6	371,060	19.1	76
Total population Bucharest City	194,4367	100	400

*Population of Bucharest at the beginning of 2011

3. Citizens' perception of services that offer public data and audiences. Case study on local public administration in Bucharest.

3.1. The first hypothesis refers to approaching the services of public information and audiences. As a consequence we need to know the dynamics of providing public data and audiences within the last 10 years at the level of local public administration.

3.1.1. At first, we are presenting the evolution of the relation citizen–local public authority regarding **public data providing**. In order to follow the dynamics of the evolution of the two communication poles, we are comparing two sets of opinion: those who have requested the services during the last 3 years (2008 – 2011) and those who have requested them in 2001 – 2007.

After processing the survey questionnaire, the conclusions are: in Bucharest, 44.1% citizens required information of public interest in the last three years. Out of the 55.9% who did not require any services in the last three years, 17.7% required public data between 2001 – 2007. We can notice 61.8% of the interviewed Bucharesters required information of public interest from local public administration, in the last 10 years (table 2).

Table 2: Requesting public information in 2001

Answers	People who required information of public interest 2001 - 2007	People who required information of public interest 2008 – 2011
Yes	73.8 %	82.4 %
No	15.5 %	14.5 %
I do not know/no answer	10.8 %	3.1 %
Total	100.0	100.0

Comments to the answer of the question „What public data have the inhabitants of Bucharest required over the last 10 years ?” :

- people required information mostly about social assistance/facilities – 29% out of total required data, that is: documents to apply for social assistance, healthcare insurance, income statement;
- the second type of public data requirement was for housing and real estate – 22.2%, that is: property register in the land registry, cadaster, demolition, land purchase, construction permit;
- the third type of public information required was related to marital status documents – 18. 5%;
- then followed information on auto register (9.9%);
- information on city aspects and need to build sewage infrastructure;
- landscaping of green areas 8.6% and
- information on small businesses (6.8%) and other businesses (4.7 %).

Comments to the answer of the question „After how many days have you received an answer to your request?” the average answer time to the requirements of public data over the 10 years analyzed (2001 – 2011) remained within 11-12 days.

It is worth mentioning that the percentage of the people who received a positive answer from the local authorities has grown from 74% in 2001 – 2007 to 82% in the last three years (2008-2011).

Question: „How satisfied are you with the service of public information offered by the public administration?”, put it differently, whether the image of service has improved or worsened over the period surveyed. We have got the following results (table 3):

Table 3: Bucharest citizens’ satisfaction with the service of public information related to the moment they asked for the service

Public data requested between:	Very satisfied	satisfied	Dissatisfied	Very dissatisfied	I do not know	Total
2008 – 2011	9.5%	59.5%	19.8%	4.8%	6.4%	100%
2001 – 2007	61.2%	12.2%	10.2%	2.8%	4.1%	100%

The percentages in bold show that there is a significant statistical association (the test of adjusted residual value) to the positive value.

One can notice that the degree of satisfaction of the population has recorded a slight decrease over the last period of time. The statistical association has been made for the years 2008 – 2011 with an answer „satisfied” whereas before that period the answer was „very satisfied”.

3.1.2. Another service provided by the public administration which has been surveyed within the field work research is **audience** required by the population. The survey aimed at verifying aspects regarding the second register of public communication, that is the relation between public service and its beneficiary observing the following steps in achieving it (relation pedagogy): receiving, listening, dialogue and solving the problem. Thus, the audience service provides a feedback on the relation quality if all necessary stages are followed (request of public data, receiving and orientation, listening, dialogue and solving the problem).

After processing the primary data, we can provide the following comments: it took 9.6 days to receive an answer to requesting an audience and after 11.7 days they were received in audience. The most common audience reason was for construction authorization (house construction – 31.8%), roads condition, sewage and parking places (16.4%). Requiring social assistance comes on the third place (13.4%). 7% wanted a job. Other audiences were for: shelters for the stray dogs, financing various sports and cultural events.

From the perspective of the second hypothesis – degree of satisfaction towards the service delivered – we are interested in the quality of relationship with the client, attention given by the institution to each step in the process of public audience (receiving in audience and orientation, listening, dialogue and problem solving). Thus, we can notice a mitigation from the part of local public administration towards the issues raised by the citizens (table 4).

Table 4: Relationship dynamics with the citizen in the process of public audiences over the last 3 years

Answers	Have you asked for an audience?	Have you been listened to?	Have you had a dialogue/discussion on the public information required by the citizen?	Has your request been solved?
Yes	17.5 %	82.8 %	67.0 %	59.5 %
No	82.5 %	17.2 %	33.0 %	40.5 %
Total	100.0	100.0	100.0	100.0
No. of subjects	400	70	70	70

3.2. Testing the second hypothesis in our paper – the more direct is the citizen’s relation with the local public administration, the higher the satisfaction with the service – we will analyze the relation between the two services – providing public data and audience – and the degree of satisfaction towards them.

The primary data show that the degree of satisfaction is higher for public data than audiences. The rate of favourable answers is detailed in table

Table 5: Relation between services providing public data and public audience: degree of satisfaction

Type of service required from the public authority	Very satisfied	satisfied	dissatisfied	Very dissatisfied	I do not answer	Total
Had been received in audience at the City Council in the last 3 years	13.0 %	54.3%	19.7 %	13.0 %	0.0 %	100.0
Requested public data from public administration in the last 3 years	5.6 %	65.2 %	23.6 %	4.5 %	1.1 %	100.0

statistical association between the answer and degree of satisfaction regarding citizens' treatment by public administration

3.2.1. In order to see the situation inside the public audience process (the second hypothesis), we will present a table which shows the correlation between different components of public audience and degree of satisfaction for each step. Comments: degree of satisfaction regarding the way the citizen was treated by the public administration is growing from the point when the audience is required to listening to his problems on one hand and on the other hand to the dialogue proper with the public administration and then, obviously, to solving the problem or request (table 6). To put it in a different way, the more attention is given by the public administration to the problems raised by the citizens and realizes „the communication relation: receiving, listening, dialogue, treatment” (Zémor, Lemaire, 2008, p. 83), the higher the satisfaction degree to the service provided. This could be a paradox in the condition of public administration receptivity to the problem which represents the scope of the audience and it decreases as the problem is solved.

Table 6: Relation between the stages of public audience process and citizens' degree of satisfaction related to how they are treated by the public administration

Satisfaction degree towards the way the citizen was treated by the public administration

Question		Very satisfied	satisfied	dissatisfied	Very dissatisfied	I do not answer	Total
Have you requested an audience at the City Council in the last three years?	yes	16.3%	38.8%	24.5%	16.3%	4.1%	100.0 %
Have you been listened to?	yes	19.0%	42.9%	19.0%	14.3%	5%	100.0 %
	no	0.0%	25.0%	50.0%	25.0%	0.0%	100.0

							%
Have you had any dialogue about your problem?	yes	17.6%	44.1%	20.6%	14.7%	2.9%	100.0 %
	no	14.3%	28.6%	21.4%	21.4%	14.3%	100.0 %
Has your problem been solved?	yes	26.7%	60.0%	6.7%	6.7%	0.0%	100.0 %
	no	0.0%	10.0%	50.0%	30.0%	10.0%	100.0 %

significant statistical association between the answer given and degree of satisfaction regarding the way people was treated by public administration

Question: „What are the reasons that made the citizens not to request the two services provided by the local public administration?“, the most reasons mentioned are (table 7):

- they found out public data without making a written request for an audience (40.8%);
- they did not receive any answers to their requests (35.2%) and
- the answer comes very late (24.0%).

Table 7: What was the main reason for which you did not request public data over the last 10 years?

Reason	Relative frequency (%)
Answer/solution comes very late	24.0%
Get data without any application/written request	40.8%
I requested many times but did not get any response to my application	35.2%
Total	100%
No. of people surveyed	153

The main reason for which they did not request any audience was that they managed to solve the problems without any audience (38.5%). A close percentage (36.0%) is represented by sceptics („I knew that if I requested an

audience, my problem would not be solved”), and 21.8% said that such problems are solved for them by other people (table 8).

Table 8: What was the main reason for not requesting an audience with the public administration?

Reason	Relative frequency (%)
I know that if I make a request, my problem will not be solved	36.0%
I solved the problems without requesting an audience at the city council	38.5%
Members of family, friends solve the problems with public authority	21.8%
Other situation	3.8%
Total	100%
No. calculation basis	138

4. Interpretation of survey questionnaire results

4.1. The first hypothesis – level of requiring public data and audience by the citizens of Bucharest, the conclusion is that they regularly asked for the two types of service, they requested the first to a higher degree and less the second (61% requested public data in the last 10 years and only 17.5 audiences).

As for the type of public data which were requested (the most frequent problems they face with) we can notice the need for information (29% information related to social facilities: social assistance, social health care, income statements; then 22% information regarding housing, 18% marital status documents, 9.9% information about autos, etc.).

As a conclusion, people’s expectation from the part of administration refers to practical issues, as they are defined in specialty literature: „Public communication is defined as formal communication that tends to the exchange and share of information of public utility and maintains the social liaison for which public institution are responsible for” (Zémor, 2003, p. 27). As Dominique Mégard states: „public communication, attached to a territory or an institution plays a key role in society. It contributes to public debate and the use of public services. It has an important part in promoting and giving meaning to public actions. Public communication aims to all: citizens, tax

payers or beneficiaries of public services – and maintains alive a territory and local development, accompanies projects and public debates; adds value to general interest and civic behaviour; information and management of teams; build an identity and valorize a territory.” (Mégard, 2012, p. 11). Public communication is also defined by Martial Pasquier as: „an assembly of activities of public institutions and organizations that aims to transmit and exchange information with the main scope of presenting and explaining public actions and decisions, promoting legitimacy, defend recognized values and help maintaining social bonds.” (Pasquier, 2011, p. 43).

After processing the questionnaire primary data, we can see that over the last years, the relation between local public administration and citizens was better and more cooperative. The need of the Bucharest citizens for public information is bigger and bigger (table 2), and the public institutions seem not to cope with this. This aspect is pointed out by the fewer „very satisfied” and „very satisfied” answers. As a result, more and more people are dissatisfied (table 3).

As far as the service of public audience is concerned, it must set out as a communication objective a development of all „steps” involved in the relation with the citizens: firstly, receiving and orientation, then listening (understanding the specific language of each citizen), dialogue (a key way of assessing public service) and treating/solving the problem.

4.2. The second hypothesis – there is an intrinsic causality between the existence (or not) of a direct contact between public administration and citizens and their degree of satisfaction – the survey questionnaire has validated it. Thus, we can notice that there is a direct proportionality relation between a direct approach/contact of the citizen with the service and degree of satisfaction to it (the second scope of the present paper). Practice comes to confirm what specialty literature has already established and acknowledged.

Direct communication is the best form of communication (it is considered complete as within it we can control both the coding process, achieved in our case by the public institution and decoding from the part of citizens). Proximity – a must that has to be achieved as well as possible within „communication relationship” – involves the existence of direct communication. Only with it one can establish that type of relationship which in sociology is called „primary relation” (Bourdieu, 1986, p. 79). Also, only in its case communication takes place immediately and mutually. A reversed connection is thus achieved, in which „the roles are reversed” (Mounin, 1998,

p. 79) - the transmitter (public institution) becomes the receiver, and the citizen becomes the transmitter. In this way, they create the premises for a dialogue (the climax in the pedagogy of relationship: receiving, dialogue, treatment), a permanent exchange of ideas/languages, with no intermediaries. B.Voyenne describes this type of communication: „A person – transmitter – comes into direct contact with another person – receiver – or, possibly, with a certain number of receivers through a transmitting system which can be a physical or a symbolic one, on the condition that it should be known by both parties who communicate.” (Voyenne, 1962, p. 11).

Therefore, direct communication is an interpersonal communication by excellence. According to Mihai Dinu (2008, pp. 36-37), it follows six main objectives: inner knowledge (based on invitation to reciprocity which supposes sincerity from the part of communicator), know the outer world by exchange of information with other people (process that enables the subject the opportunity to add to his/her personal experience, which is inevitably limited, a part of accumulated experience by those with whom he/she has interpersonal relationships), establish and maintain significant relationship with other human beings (with the aim of satisfying basic needs such as solidarity in the case of public communication), interlocutor's persuasion, influence or change opinions, convictions, beliefs, attitudes or their behaviour (objectively is a priority in the process of public communication, in general), help of human beings either cognitively through counselling, information, training or affectively when they need solace, moral support. A last objective – play and entertainment – refers to a great number of communicational strategies that have a play feature unrecognized as such.

Direct communication – presence of dialogue and interactive character – allows „coproducing a personalized service” (Gerstlé, 2011, p. 185) which is expected by the citizen from a public service when „his particular case” is listened to, the citizen is given the authority of „social contractor” endowed with public power which he thinks, deductively, as being superior. We should remember that for any citizen his/her problem is unique, important whereas for the civil servant behind „the counter” the problem is redundant (one more reason for the latter to follow all the steps of the communication and treat the citizen with respect).

Another explanation, the more satisfied the citizen, the more direct the contact with the administration is – but Romanian society is insufficiently formalized; norms and regulations have not penetrated yet in the very essence of public administration mechanism. Therefore, Romanians in general,

Bucharesters in particular, are inclined to be more trustful in administration if they can directly have a relation with the administration office workers. Being face to face and seeing him/her directly (eyes expression is the most important means of conveying non-verbal messages), talking directly with the representative of local public administration gives confidence and assurance in solving the problems or getting some support. This is how one can explain the fact that citizens are more satisfied with the service of audiences than public data supply, although the rate of solving the requests through audiences is much higher with public data. (shown in table 5).

In order to understand the reasons for which Bucharesters have not requested public data in the last 10 years (table 7 – 35.2% of the citizens have not received any response to their request, and 24% say that the response comes very late) and they did not go to the audience (table 8 – 36.0% of the surveyed citizens consider that their problems are not solved if they get an audience) – we ask for the concept of social representation. People's lack of confidence in administration is a feed-back that has appeared in time, as a result of the indifference and lack of interest shown by the administration whenever the citizen wanted to solve punctual problems.

Authority and credibility of the transmitter (public institution) matters very much in the economy of communication process (public), and „the quality of services, degree of confidence of citizens in them are fundamental coordinates for the image of the institution” (Miège, 2010, p.84). They are formed over a long period of time, therefore the results of the survey questionnaire can be interpreted through the concept of social representation.

According to Serge Moscovici social representation is „a system of values, notions and relative practices to objects, aspects or dimensions of the social environment that allow not only establishing the life framework of individuals and groups of people, but also it equally constitute an orientation instrument of how the situation is perceived and responses are elaborated” (Moscovici, 1994, p. 43). Thus, social representations „constitute a particular way of knowing, proper to common senses whose specificity resides in the social character of the processes which produce it” (Moscovici, 1984, p. 85). It refers to entire knowledge, beliefs, opinions shared by a group towards a given social object. Social representations have with it, simultaneously, a rapport of symbolization (being in its place) and a rapport of interpretation (giving it meaning). Symbolizations and meanings „are the result of a mental process which results into a specific construction of the social object” (Neculau, 1997, p. 28).

Thus, the subject re-constitutes reality which he is confronted with, after this process results a real „mental modelling” of the object. In this re-constitution of reality, the social factor is of utmost importance: on one hand, the subject does not act independently in the social field to which he belongs to, on the other hand, a representation is the result of an assembly of specific interactions having the object in its centre. Internal communication of the group – involving models, beliefs, values - „it modifies and orientates the activity of producing individual meanings” (Giuly, 2009, p. 112). They are found at the confluence between social psychology, social representations are fed on religious faiths, cultural practices, rituals, daily imaginary and are conveyed through speech. Haineş R. argues that: „Social representations must be approached as cultural expression forms that appeal to social codes in order to interpret individual experiences in society, values and models to define a certain social status, symbols used by the thinking of collective entities”(2000, p. 74).

In conclusion, social representations are a sort of reading grid of reality, „a place in the world of values and a proper interpretation of this world” (Habermas, 2005, p. 194), a behaviour style, a way of communication with the outer world, an orientation in the world of objects and of facts, a process of classification. They show a way of thinking the context in a practical manner, a filter, a screen between social pressure and personality system, an enrichment of reality, its re-reading.

Related to this „reading grid” (social representations), we can understand why 82.5 % of the citizens have not requested audience, we can understand the sceptical answer given by 36.0% respondents (who refused to have a dialogue with the public institution because it cannot solve their problems in that manner).

5. Final conclusions

Taking into account what has to appear among the three layers of an image proper to a public institution (A – reference image, B – transmitted image, C – perceived image by the citizen), the aim of the present paper is to measure the level of local public administration image as it appears in the view of the people from Bucharest (C level of the image). That is the reason why we used a survey questionnaire for the population (400 respondents).

The two objectives of our research (measuring the level of utilization of public services provided by the Bucharest local administration, as well as

measuring the degree of satisfaction of the citizens towards them) have found a response in the analysis of the primary data obtained after applying this survey. Also, the two hypotheses corresponding to the objectives – level of asking for the service of public information and audiences, as well as the degree of satisfaction (contentment) of citizens towards them – have been validated by the results of the sociological survey. When processing the primary data, firstly we followed the dynamics of providing public data and audiences over the last 10 years (table 2 and table 4), then the degree of satisfaction of the Bucharesters towards the two directions of public communication (table 4 shows public information service, tables 4 and 6 audiences).

Following the case study, we can state that in the present time, we see a slight decrease (from 61.2% during 2001 – 2007 to 59.5% in 2008 – 2011) of the degree of citizens' satisfaction to the service of public information, we see little interest from local public administration to the problems raised by the citizens over the last 3 years (table 4: from 82.8 % of how many were listened to, now it is 59.5 % with solving the problems), hence people's lack of confidence in public institutions (tables 7 and 8).

Unfortunately, local administration does not take into consideration the pedagogy of communication relationship: receiving and orientation, listening, dialogue and addressing the problem. The answers of the Bucharesters are crucial in this respect (table 6) - graduality involved in the second direction of public communication (that of establishing relations and have a dialogue to achieve the role of the public powers, precisely providing the expected service) – remains just an ideal in our society.

We also demonstrated the importance of a direct contact (proximity) in the relation between citizens and representatives of public institution. The survey (table 5, table 6) clearly shows – the more satisfied the citizen, the more direct is his relation with public authorities (we cover the second hypothesis of our research). In addition, the citizen is more satisfied when the „steps” involved in the pedagogy of communication relation are observed: receiving and orientation, listening, dialogue and problem solving.

The final conclusion to which primary data lead us is that, for the time being, the public institution correlates to a very small extent its communication objectives included in the reference image (A), with the citizen's horizon of expectation (level C of the image), and his response is a natural one, objective, to this insufficiency. The 400 respondents from Bucharest, convince us once more that the public image management of the

respective institution does not have to be an exclusive act but rather a feedback of the interested parties involved (A, B, C) in running the community well. It is very important to have a proactive behaviour from the part of the public institution in its relation with the citizens, inform, support and involve them in ongoing actions. Establishing „loyal relations” (Cobut and Lambotte, 2011, p. 274) applies not only to the private sector but also the public one. The electorate like the consumer aims to short term solutions, even immediate solutions to their problems. But loyalty in time for one party, a public institution or a brand must transcend short term and with public institutions has to lead to legitimacy.

In other words, if image management would be done in its complexity (let us remember that there are laws that regulate this „come-and-go” between layers, that is Law no. 52/2003 regarding Decisional transparency in public administration and Law no. 544/2001 regarding Free access to information of public interest) it would be much more coherence between A, B, C, eventually the gap between reality and perception would be reduced. Like in art, taste does not aesthetize in an arbitrary and sovereign manner (but responds to a request of the work of art – that is virtually overwhelmed and causes everything), in the same way, citizen’s opinion (broadly expressed, social representation), is formed as a „replica”, answer to the public institution (A, B), which through its whole activity, particularly the way its communication objectives are expressed and how they are translated into different communication supports (media, advertisement, public relation, Internet, etc.), brings about a certain reaction and interpretation. Thus, the perceived image (C) possesses a high degree of objectiveness.

Through the present lines we would like to call the attention upon the importance of action and reaction exchange, contribution to the answer, continuous, plurality of citizen in public communication, and we want that in future within the relation administration – administratees they do more and more actions to improve contact, „arouse” the citizen so that to be determined to take part in the events of his life and other people lives and result in a contribution not only to the application of institutional policies, but to the very process of their elaboration thus justifying the role of receiver co-participant.

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**A NEW APPROACH OF ROMANIA'S MONETARY INTEGRATION –
AN ADJUSTED MODEL**

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Abstract

Recent crisis evolutions have changed both the hypothesis in terms of monetary integration inside the Euro Zone for future members, but also the type of approach needed in order to achieve two major objectives' sets. These aims can be described as sustainability and medium and long term macroeconomic volatility control. This paper envisages pointing out Romania's necessary approach concerning the Euro adoption process based on a set of variables determining a so called convergence array. Components are determined leaving from the depth of the real convergence and catching-up process, from the structural analysis of the Romanian economy and its GDP evolution during recent years and getting to the out-put variation, foreign debt directing towards more or less productive investments. In order to get a clearer perspective of Romania's growth perspective, we test the OeNB's Forecasting Model for Selected CESEE Countries for Romania.

Keywords: *Euro; convergence; monetary integration; economic crisis;*

JEL classification: *F31, F33, F37*

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1. Introduction

Even if the Maastricht treaty has previously established some clear monetary objectives to be achieved by candidate countries to the European monetary union, challenges have always existed for central and eastern European economies and for Romania also. Recent crisis developments have pushed these challenges even further, from a medium term realistic stability perspective, to a focus upon sustainability, medium and long term macroeconomic volatility control. Budgetary and debt issues became even more acute, and previous concerns in terms of the adjustment of budgetary rules, stability and prevention of asymmetric shocks have once more raised the problem of a common fiscal policy. Central and eastern European economies transition to the Euro, is now concentrated on achieving a real and sustainable catching up process.

This paper aims to put into perspective Romania's Euro accession process from a sustainable growth point of view – the only element capable of providing medium and long term macroeconomic stability perspectives. Also, the attractiveness of the single European currency as a stability instrument is briefly evaluated and argued for, even if Romania is under the no opt-out clause that makes the Euro a certain future. This is significant also due to the inconsistency potential and the instability creation factor in the combination between the Maastricht criteria and existing vulnerabilities. According to all these elements, candidate countries and Romania also, must use appropriate instruments meant to ensure a certain degree of flexibility and adaptability for the economy confronted with asymmetric shocks. This is the main aim for the construction of this new model.

2. Literature review

The enlargement of the Euro Area has been a largely debated phenomenon, but still, the crisis has proven that no real solutions have been found in order to ensure macroeconomic stability, neither for member, nor for candidate countries. Assessments have generally spin around the Maastricht criteria fulfillment, the optimum currency area perspective but also real convergence in terms of the GDP per capita evolution – the catching up

process. Even from the early 1990's the EU enlargement perspective has raised new issues for both theory and practice.

The Maastricht treaty has been seen a concrete measure and estimation of monetary performance inside the EU. As early as 1994 Heinemann (1994) discussed both the nominal convergence achievement for Visegrad countries and empiric basis of the optimum currency area, but also proposed "a stabilization fund that could have at low costs provide a substantial help for a successful EMS membership and the further monetary integration of Central Europe". Conclusions point out to the fact that central and eastern European countries' obstacles towards monetary integration consisted mainly in high inflation rates and an incomplete real integration as measured by the degree of cyclical correlation.

The optimum currency area analysis seems appropriate, once monetary integration has proven to reshape markets. The essential contributions setting the basis for the optimal currency areas theory and analysis come from Mundell (1961), Mckinnon (1963) and Kenen (1969). Their aims can be located in the area of identifying the main criteria determining monetary integration. From the cost –benefits analysis for a certain acceding economy, if the result is a positive one, then, the monetary area is an optimal one.

Bolle et al (2004) point out the fact that the introduction of the euro in Central Europe, would be attended by considerable economic, political and social risks. The cost-benefit analysis for acceding countries may prove significantly different while considering the short, medium or long time perspective, but also upon the scope of development in achieving real convergence. Here, flexibility is a key issue. The crisis has seriously harmed inflexible inertial economies once the impact of asymmetric shocks has been felt. This why, we consider growth an essential element for Romania. The main questions concerning this matter are around the sustainability of growth, but also, around the stabilization period necessary for an acceding economy.

According to Arfa (2009), acceding countries can satisfy OCA criteria ex post even if they do not satisfy them ex ante. This might have created a positive and encouraging start-up point for countries like Greece, who have, unfortunately, proven that structural imbalances only grow deeper once they generalize and are affected by external negative impulses. Not even a gross capital formation growth beyond average margins, during the heavily

indebting period of time since the EU accession did not ensure an ex ante positive evolution foreseeing the coordinates of an optimal currency area.

Recently, the National Bank of Austria has elaborated a Forecasting Model for Selected CESEE Countries envisaging exactly the underlined aim of assessing growth perspectives for countries such as Romania - Crespo, (2009). This model consists in six structural co-integration relationships and envisages private consumption, investment, exports, imports, the nominal exchange rate and the nominal interest rate. Current testing on data from the crisis period show that worsening external environment will severely depress growth in 2012 - Worz (2012), and thus catching-up process is still slowed down. Beyond that, the Euro Area is still struggling with serious instabilities of member states economies.

4. Analysis

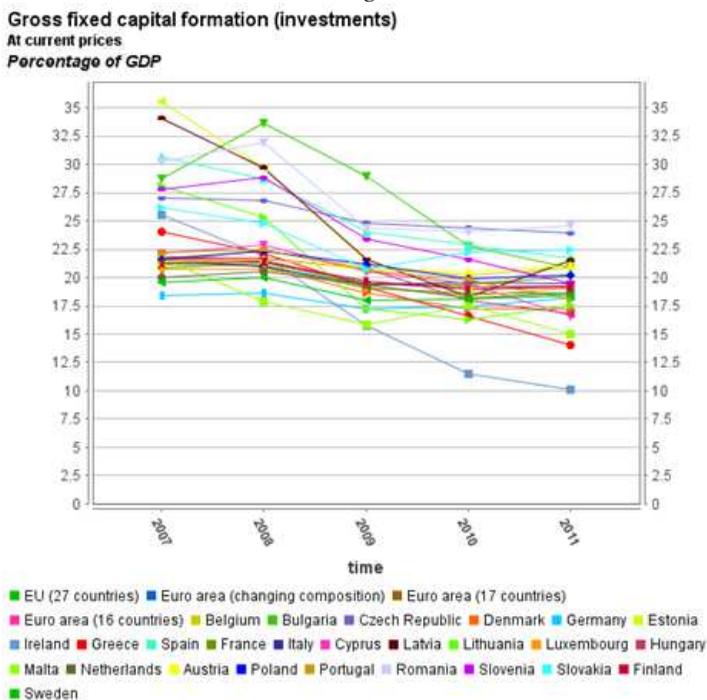
Before the economic and financial crisis settled on a global scale, but affecting in a more acute manner the EU and Euro Area member states economies. Romania's economy growth in terms of GDP increase has been rather high reaching levels between 6,5% - 7%. Ever since then the status degraded and pre-crisis levels are foreseen to be reached again no sooner than several years from now. The industrial sector registered then, a 15% monthly average growth due to an out-put increase for all industrial sectors: 10.5% for the extractive industry, 16.8% for the processing industry, and 2.5% in power, thermo, gas and water industry. Capital goods out-put also increased 18.7% according to data provided by the National Statistics Institute. Constructions sector also registered a boom for 2007 with a 27.5% increase, and with an even higher increase of the value of construction works of 31.8% compared to the previous year. Agriculture only brought 6.6% of GDP. These positive indicators provide an incomplete image unless doubled by the foreign side of the economy – a 7.6 billion euros – 76% higher than the previous year also according to the National Statistics Institute. This highly contributed to the later accumulation in terms of foreign debt.

2008 is not registered as a crisis year for Romania who again reached some positive values for the GDP evolution, compared to previous quarters. From the 8.2% growth, around 4% came from an increase in services field, followed by constructions 1.7% and net taxation 1%. Agriculture din not

influence GDP evolution for the first quarter of 2008. The main factor generating such economic growth has been the expansion of direct foreign investments for the previous two years - as the significant development period for such investment is two years.

These investments have developed and registered a 35% growth compared to previous year, when in turn grew again another 30%. According to the National Statistics Institute, the services sector contributed with 48.8% at the GDP growth and a share of 52.3% to the GDP formation. Industry and construction brought 26.7% of GDP. This has been proof for a solid and sustainable economic growth before the real settlement of the economic crisis in Romania. This is the area and the analysis focus we are looking for in this paper in order to provide an insight of Romania's real convergence beyond the GDP per capita analysis.

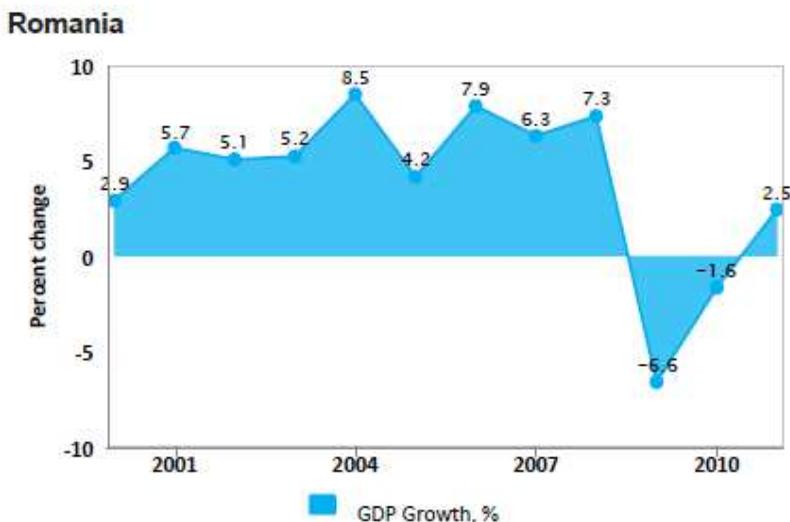
Figure 1.



Source: Eurostat

For the later period 2009 – 2010, Romania’s GDP evolution registered some problems and the crisis due decrease. In 2010 the level was 1.3% lower due to a decrease in the gross added value from agriculture (-0.8%), constructions (-10.7%), trade, transport and telecommunication (-4%), and services (-2.8%). The industry increased 5.1% and also did financial services 0.8%, while net taxation has been 2.5% lower.

Figure 2. GDP evolution



Source: World Economic Outlook, April 2012

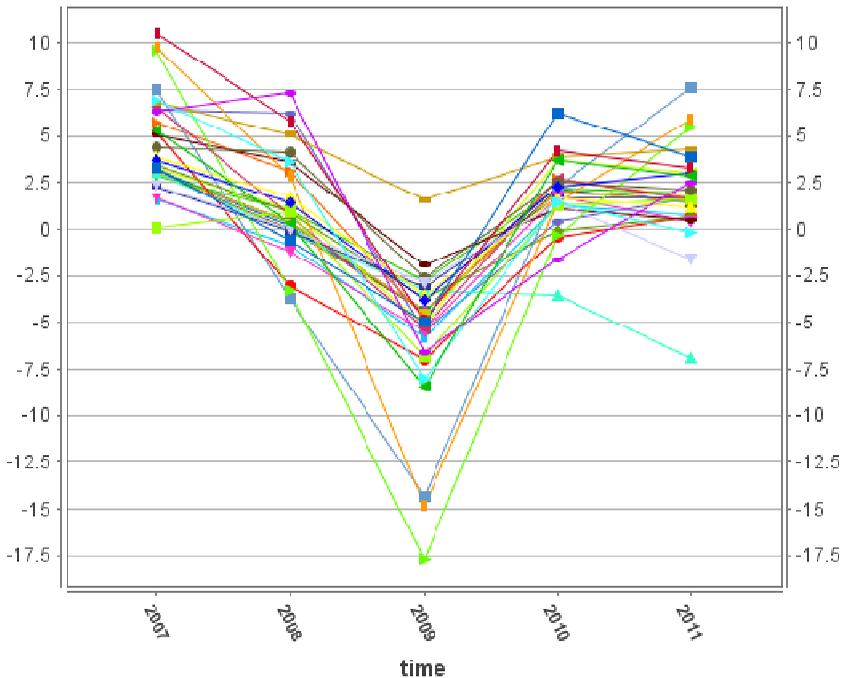
According to recent estimates from the Romanian government and the World Bank, the Romanian economy will grow 1.7 percent in 2012, given the estimations made in the 2012 Spring Projection of the National Commission for Prognosis. According to the same institution, the GDP in 2013 will expand 3.1 % and it will grow 3.6% in 2014. According to estimated figures released by the National Institute for Statistics, the Romanian economy contracted 0.1 percent in the first quarter of 2012 compared the fourth quarter of 2011, entering technical recession. When compared to the first quarter of 2011, the

GDP recorded a 0.3 percent rise by gross series and a 0.8 percent increase by seasonally adjusted series.

Thus the new monetary integration model for Romania should consider structural GDP components such as gross capital formation – investments which we have presented in the chart below.

Figure 3

Real GDP growth rate - volume
Percentage change on previous year



- EU (27 countries) ■ EU (25 countries) ■ EU (15 countries) ■ Euro area (17 countries)
- Eurc area (13 countries) ■ Belgium ■ Bulgaria ■ Czech Republic ■ Denmark ■ Germany ■ Estonia
- Ireland ■ Greece ■ Spain ■ France ■ Italy ■ Cyprus ■ Latvia ■ Lithuania ■ Luxembourg ■ Hungary
- Malta ■ Netherlands ■ Austria ■ Poland ■ Portugal ■ Romania ■ Slovenia ■ Slovakia ■ Finland
- Sweden

Source: Eurostat

Romania's and other CEEC's growth perspectives have been estimated by the Austrian National Bank using an internally developed model. According to Wörz, (2012), this is a structural co-integration model based on the aggregate demand model of Merlevede et al. (2003). It is based on six key macro variables: exports, imports, interest rates, exchange rates, investments and private consumption; GDP modeled as the sum of its components and has been simulated on for six separate country models for Bulgaria, Czech Republic, Hungary, Poland, Romania with country-specific variations. The model also involves expert judgment / plausibility check. According to the same author, the empirical model is based on theoretical relationships in the long run, but on a flexible adjustment mechanism for the short run and enables us to incorporate country specifics while providing a coherent framework for the CESEE region and could be easily be extended and applied to other countries.

The main equations of the model are:

$$c_{priv} = \alpha_1 * gdp + \alpha_2 * (tr - \Delta cpi) + \alpha_3 * wage \quad (1)$$

$$inv = \beta_1 * gdp + \beta_2 * (tr - \Delta ppi) + \beta_3 * priv_credit \quad (2)$$

$$exp = \gamma_1 * tp + \gamma_2 * \left(er * \frac{cpi_{ea}}{cpi} \right) + \gamma_3 * gdp_ea \quad (3)$$

$$imp = \delta_1 * gdp + \delta_2 * \left(er * \frac{cpi_{ea}}{cpi} \right) \quad (4)$$

$$tr = \phi_1 * ppi + \phi_2 * \Delta gdp + \phi_3 * er + \phi_4 * tr_ea \quad (5)$$

$$er = k_1 * (m3 - m3_{ea}) + k_2 * (gdp - gdp_ea) \quad (6)$$

Data used are quarterly statistics provided by Eurostat from 1995 and historical data have been extrapolated based on monthly WIIW data and data from national sources. All series are in logs, except interest rates and inflation data.

Table 1. OeNB February 2012 CESEE Interim Projections Update: External and Domestic Uncertainties Impair Growth

Projection growth year on year growth %				
	2010	2011	2012	2013
CEE 7	2.1	2.9	1.6	2.5
Bulgaria	0.3	1.8	2.0	2.8
Czech Republic	2.6	1.9	0.9	2.7
Hungary	1.2	1.8	-0.4	1.3
Poland	3.9	4.3	2.6	3.1
Romania	-1.6	2.5	1.1	2.4
Croatia	-1.1	0.2	-0.9	1.5

Source: Wörz J - FORCEE: The OeNB's Forecasting Model for Selected CESEE Countries, 2012

Simulation points out the fact that the economic and financial crisis and its effects are far from over in 2012, affecting both general economic situation and also the convergence and catching up process for these countries involved in the euro adoption process. Tight liquidity in all these countries, including Romania also contributes to fragile economic prospects and the need for consolidation. Romania is close, but still below the average of the CEE 7 countries analyzed and needs structural and macroeconomic policy instrument in support of its growth. Romania must put together accurate structural reforms meant to ensure a certain degree of flexibility for the economy. The strength of the growth based economy should also benefit from the coordination between central bank, the government and public bodies - Tanasie (2012).

Thus the convergence array for Romania, as an adaptable and flexible quantifying instrument in assessing the countries convergence – both from a nominal and a real perspective should include the following elements – investments – gross capital formation, private consumption, exports and imports shares, the interest rate and the exchange rate against the Euro -

incorporating the long-run equilibrium relationships and short-run adjustment dynamics for a specific monetary integration model based on growth projections generated from the OeNB model.

Using all these variables in an interconnected and dynamically dependent manner should provide a specific insight into the Romanian catching-up process, with a focus on growth and real convergence perspectives. This perspective is an adapted one according to the convergence array and specific macroeconomic variables directly determining the catching-up process with a deeper insight into growth.

5. Conclusions

Even if the recent economic and financial crisis has somewhat raised questions concerning classic convergence criteria and the correspondence between nominal convergence achievement and sustainable growth. CEEC's such as Romania situated under the *no-opt clause* do not have a choice or the alternative of remaining outside the Euro-Area, even under the recently raised issue of the Euro adoption attractiveness under current disequilibrium in countries all over Europe. The single European currency has been envisaged as a stability instrument and a monetary support for the development of member state economies, but still, they struggle to achieve sustainable growth in order to prevent asymmetric shocks dispersion and contagion.

Romania's case needs an accurate estimation of real convergence and growth aiming the catching-up progress. Recent developments have shown that a precautionary approach as part of main economic policies and especially of public expenditure is a must in order to ensure medium and long term economic stability while using the Euro.

OeNB's growth model is a useful and relatively simple model of estimating medium term growth of selected CEEC's countries using a set of variables part of what we propose to be the *convergence array* for Romania, in a dynamic and adapted approach of real convergence. Simulation show average growth rates for Romania for the next few years confirming initial hypothesis based on the higher growth registered by the gross capital formation.

Beyond achieving nominal and real convergence indicators, Romania needs to have a structurally sound economy based on sustainable medium and

long term growth. A strict focus on monetary indicators has determined a switch from the real economy with a negative impact. Monetary instruments will never be able to compensate for the lack of real economy positive results. During the last period of time, even beyond a statistical depression reported for the last quarter, sound economic perspectives come up given the growth in gross capital formation. This provides the basis for future growth and a correct estimation and timing of the euro adoption process envisaged for 2014 -2015.

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**FACTORIAL ANALYSIS OF FISCAL PRESSURE
IN ROMANIA: 2008 - 2011**

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Abstract

The existence of any modern state is unthinkable without a tax system's efficiency and performance through pressure on taxpayers. Tax burden may be easier as long as it is not excessive. This paper aims to analyze the factors which influence overall tax burden calculated at the Romanian state budget level by using two factorial models for decomposition of the tax burden, a synthetic one and an analytical one. This goal is preceded by a dynamic and structural approach of the tax burden in Romania during 2000 - 2011 in relation to changes in tax burden of the EU Member States.

Keywords *tax pressure, factorial analysis, taxation*

JEL classification: *H 20*

1. Introduction

The existence of any modern state is unthinkable without a tax system's efficiency and performance through pressure on taxpayers. Most times, the current situation of a country depends on the historical development of own tax system, especially it depends on how the tax system was designed and applied in practice. Last decades are characterized by a number of significant and successive tax changes. World states have a difficult task to accomplish by the implemented or in progress reforms, namely by finding

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formulas that provide the necessary resources for the functioning of public institutions and reducing the tax burden of taxpayers.

Tax burden has always been and always will be a subject of expert and lay discussions as it concerns every citizen. Tax burden rate is a relative value, which was the subject of many specialists' studies. The most commonly used and simple aggregated tax burden indicator is the tax-to-GDP ratio, which is a measure of what percentage of GDP is transferred to general government in the form of compulsory, unrequited payments. (Kiss Gábor P., J'drzejowicz Tomasz, Jirsáková Jana, 2009) As long as there is a balance between tax burden and social pressure that merely could spice the business environment. The tax burden expresses an influence on tax management, on the education level of taxpayer, on taxation's principles, on establishing the role of tax information across socio-economic policies. Tax burden may be easier as long as it is not excessive. In turn, taxation rate influence the evolution of GDP, between total tax rate (expressed as % of GDP) and real growth rate of GDP there is an inverse relationship. (Mihaiu Diana Marieta, Opreana Alin, 2012) The taxpayers adapt on long run to different levels of fiscal pressures. This implies that it is not possible to consider the levels of the tax rates as responsible for the levels of tax evasion. (Bernasconi Michele, Corazzini Luca, Seri Raffaello, 2011)

The paper is divided into four parts: the first part contains some introductory issues, the second part presents an analysis of the dynamics and structure of the tax burden in Romania having as benchmark its progress in the Member States of the EU, then we detailed a conceptual approach on the methodology and the factorial analysis of the tax burden, and finally beside the results we pointed some conclusions.

2. Evolution of the tax burden in Romania in the context of fiscal burden in the European Union

The European single market and the Economic and Monetary Union were not followed by reducing the gap that exists between the tax systems of EU Member States. A study on taxation in the EU reveals an enormous diversity. National tax systems are the result of economic and social structures accumulated over time as a result of policy options in that the psychological elements should not be ignored. The level of taxation is found to be essential for the economic development of the EU Members. EU-27 countries are characterized by a different level of development, especially if we consider the

last member joined. Analysis of the present levels of taxation is important because fiscal conditions are having a major influence on businesses and among the investors. Romania should not only compare different indicators with those of the European Union, it must understand the policies and motivations of analyzed values. It should learn the most valuable lessons from the European experience. We cannot speak about homogeneous tax systems in the EU, each Member State differs by its tax system leading to identification of significant overall differences.

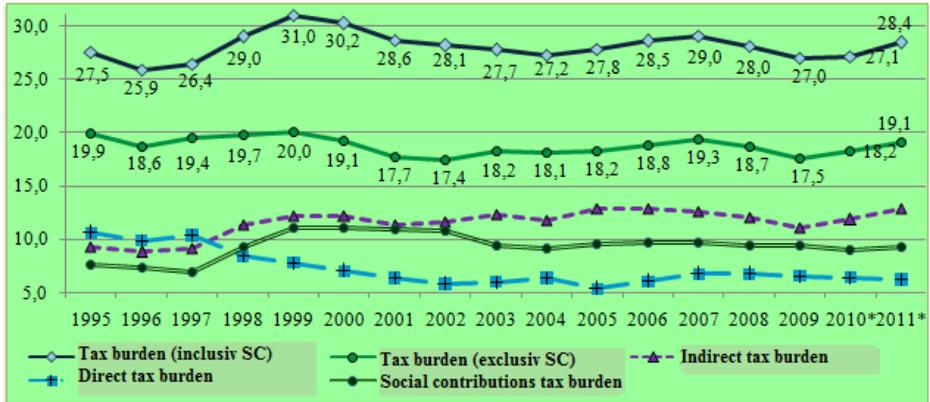
The European Union is a region with a high rate of taxation. As compared to other world states, the average across all 27 Member States is higher than that of the U.S., Japan, and the same position as compared to other OECD countries. In 2009, the last year for which there are statistics, tax rate (calculated as the total amount of fees, taxes and contributions) was in the 27 countries 38.4% of GDP (weighted average). In 2009 the tax rate of EU-27 fell by 0.9 percentage points as compared to 2008. From a temporal perspective, in the EU there is a gradual decrease in tax burden since 2000 to 2009. This is materialized in a decrease of 2.1 percent. On the whole EU, there are considerable differences in the levels of tax burden. Taxation rate in the Member States varies from 26.6% in Latvia, 27% in Romania, 28.2% in Ireland, 28.8% in Slovakia to 48,1% in Denmark, 46.9% in Sweden, 43.5% in Belgium, 43.1% in France and Italy. As a general rule, the share of tax liabilities to GDP is higher in the EU-15 than in the last 12 countries which joined the EU. Relating to the evolution of the tax burden over the last decade, statistical data indicates a decrease in 20 Member States and an increase in only 7 states. The greatest reduction in the tax burden took place in Slovakia by 5.3% and the largest increase in total tax burden was found in Malta by 6%. If we ignore the influence of social contributions, EU-27 fiscal pressure reaches a value of 25.6% in 2009, as in 1995, declining since 2007.

Romania belongs to the category of countries with an average tax constraint, although the tax burden is not excessive, however, the level of certain categories of taxpayers it is felt as oppressive. The problem of fiscal pressure derives from how fiscal policy is perceived individually. The question is: how can be quantified the purpose of a tax system? Tax obligation that it is supported by individual income to form tax flow, represent the concept of fiscal pressure and it is used for quantification the purpose of the tax system. (Corduneanu Carmen, 1998) Ratio of all taxes and social

contributions actually received by the public administration and GDP is tax burden. (Brezeanu Petre, 1999)

Annual evolution of tax burden in terms of indices in Romania is presented below:

Figure 1: Evolution of the tax burden in Romania 1995 - 2011



Source: 1995-2009 European Commission's data series processed by author, 2010 and 2011 own calculations on the state budget executions published by the Ministry of Finance (April 2012)

Dynamic analysis of Romania's tax burden during 16 years (1995-2011) allows the identification of a slight cyclicity in its evolution. This is correlated to the periods of political government and to the political color of ruling parties. So, after two periods of fiscal pressure's boom 2004 - 2007 to 29% and 1996 - 1999 to a maximum of 31% (1996 and 2004 were election years), in 2010 the tax burden was at around 27%, the same value as in 1995. In the past five years, overall tax burden (including social contributions) in Romania has experienced a downward trend, from 29% in 2007 to 27% in 2009, according to data published by the European Commission (European Commission, 2011). For 2010 calculations according to provisional execution of the general government budget posted on the website of the Ministry of Finance indicate a fiscal pressure including social contributions of 27.1% and 28.4% for 2011. In terms of tax burden by dividing taxes to Romanian GDP were obtained the same cycles, but with smaller amplitude variations between years. This decreased from 20% in 1999 to 17.5% in 2009 and 18.2% in 2010

and 19.1% in 2011. Tax rate in Romania reached in 2009 a level of 27% below EU-27 average of 35.8%. Tax burden of Romanian taxpayers is among the lowest in the EU, i.e. it is the second state with the lowest tax rate in the community, after Latvia 26.6%. Romania also has a tax rate lower than that of neighboring countries: Bulgaria 28.9% and Hungary 39.5%.

Typological analysis of the fiscal pressure highlights that out of the three categories of tax burden (direct, indirect and social) for Romania prevail the indirect one, tax liabilities hidden in prices are the most pressing and the most received to the public budget. Tax burden of indirect taxes in the last 16 years has seen an upward trend reaching to 12.9% of GDP in 2011, while their share in total compulsory levies increased from 33.7% in 1995 to almost 41% in 2009 and 45.5% in 2011. Direct tax burden lost its advantage after 1997 encouraged by the political decisions to reduce the corporate tax rate and tax progressivity replacement. Thus, direct tax revenues to GDP experienced a decrease of 4 percent over the last 16 years, from 10.6% in 1995 to 6.2% in 2011. Revenues of social protection system are not insignificant in Romania. The number of pensioners, unemployed people and social assisted persons increased leading to increased rates of social security contributions. This fact has as a result an increasing trend of fiscal pressure until 2000 when it peaked 11.1%, after that it fell during the following 10 years to 9.2% in 2011.

Table 1: Structural tax burden in Romania during 2000 - 2011

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Indirect tax burden	12,2	11,3	11,6	12,3	11,7	12,9	12,8	12,6	12,0	11,0	11,8	12,9
Direct tax burden	7,0	6,4	5,8	6,0	6,4	5,3	6,0	6,7	6,7	6,5	6,4	6,2
Social contribution tax burden	11,1	10,9	10,7	9,4	9,1	9,6	9,7	9,7	9,3	9,4	8,9	9,2

Source: For 2000-2009 the European Commission, Taxation Trends 2011, 2010 and 2011 own calculations on executions of general government budget published by the Ministry of Public Finance

Of structurally view, in 2009, Romania was on the 9th place among countries with the highest tax levy based on indirect taxes with a share of 40.9%, above the European average, the value is declining from a peak of 46.4% in 2005. Social contributions held in 1997 a share of 26.4% of total tax revenue, the minimum of last 16 years, and they have come to hold in 2009 a share of 35%, 3.6 percentage points above the EU-27 average of 31.4 %, and then their share decreased to 32.6% in 2011. Romania ranks the 12th among

EU member states with the largest share of revenues from social contributions. Regarding the structural position of direct tax revenues of the situation is the opposite of the previous two. Romania applies a tax system in that direct taxes bring about ¼ of government tax revenues, 24.2% in 2009, 6.9 percent below the EU-27 average. (European Commission, 2011) This percentage is decreasing year by year, so it was representing in 2010 21.9% of total revenues.

Figure 2: Structural evolution of taxes in Romania 1995 – 2011



Source: Author's processing based on data published by the European Commission

Tax management, the education level of taxpayers, taxation's principles, the impact of tax information across socio-economic policies influence the level of tax burden.. A high tax burden on taxpayers, perhaps, or not, mobilizes more important resources to the budget. We consider that it is important to mention that a high tax pressure can have adverse effects on economic growth on long term. Fiscal policy promoted by public authorities should minimize the tax burden because taxation should be seen not only as a right of the state, but as a tool to take into account the wished of the taxpayer. Tax burden and tax level are low only in appearance, because, in fact, low national income, inequality in the distribution of tax burden, the large number of taxes means that there is a heavy tax burden for certain taxpayers. (Drăcea Nicoleta Mihaela, 2009) Tax burden is not easy to quantify given the existence of practices about to input taxes in prices. There is not a maximum of tax burden because it is more of a perception that differs depending on economic, political and psychological circumstances. (Braga Viorica, Zărnescu Mihaela, Mirea Gabriel, 2010)

3. Methodology

Tax burden can be analyzed considering two approaches: tax burden as flow and tax burden as indices.

Tax burden in terms of flow is determined on account of data from their annual public budgets. At the individual level, tax pressure is given by the flow of direct levies required from operators and population. Globally, the tax burden is a sum of individual flows reflected in the amount collected through fiscal instruments (i = number of subjects in the economy; TB = tax burden)

$$TB_{\text{individual (flow)}} = \sum_{i=1}^n TB_{\text{indirect}} + \sum_{i=1}^n TB_{\text{direct}}$$

$$TB_{\text{global (flow)}} = \sum_i^n TB_{\text{individual}} .$$

The overall fiscal flow is a macroeconomic fiscal aggregate affecting the circular flows of income and expenditure in the economy. Tax burden as flow is an absolute pressure, reflecting the sacrifice in monetary expression resulted from taxation. (Corduneanu Carmen, 1998)

Tax burden as indices reflects relations in monetary expression of fiscal flows and economic flows that create income. It is very important the selection of two indicators which will be reported to determine the index. For the numerator it is easy to find a solution because there are many methods for grouping tax levies, but for the denominator the question is: what is the most representative one? The complex indicator providing an international comparison of tax burden is a tax quota that compares total implicit taxation in individual countries by measuring a proportion of effectively collected taxes on gross domestic product. (Szarowska Irena, 2009)

Tax burden or tax effort reflects tax efficiency in a monetary view. In an economic view, it reflects the redistribution of value through which part of the income created in the real economy is removed through market actions. (Corduneanu Carmen, 1998) Analysis of the contribution of tax system to finance general government can be done using the indices' method at global or structural level. Total tax burden index is calculated as the ratio of tax revenue

collected from central government (direct and indirect) and GDP expressed in market prices.

$$\text{Tax pressure} = \frac{\text{Total tax revenues}}{\text{GDP}} \times 100$$

Tax burden, strictly speaking, consider only tax levies in the form of taxes paid to the state budget, so not all tax obligations owed by a taxpayer. In contrast, implicit tax burden (implicit rate of taxation) takes into account, in addition to taxes and social contributions, even if they are managed by separate budgets or special funds. Tax burden is a quite complicated issue, because too much pressure discourages taxpayers to work, save and invest. It is desirable to combine taxation with a better satisfaction of individuals' needs, so that taxpayers feel that the taxes and fees are really spent on their behalf.

The two approaches mentioned above were used to perform the analysis in the previous subsection. But the purpose of the paper is to analyze the factors influencing tax burden. The tax burden is calculated on data from the state budget of Romania in the period 2000-2011. To achieve this we used two factorial models for decomposition of the tax burden, a synthetic one and a analytically one, as follows:

$$\begin{aligned} PF &= \frac{Vf}{PIB} * 100 = \frac{Vf}{Cf + Ib + Vs + E - I} * 100 = \\ &= \frac{Vf}{Agr + Ind + Con + Com + Fin + As + Ip} * 100 \\ PF &= \frac{PJ + PF + TVA + Acc + Avf}{Cp + Cg + Ib + E - I} * 100 \end{aligned}$$

Where: Vf – tax revenues (data collected from executions of the state budget – the Ministry of Public Finances), PIB – Gross Domestic Product in current prices (it is determined by expenses method according to online database of INSEE), Ib – gross investments, E – export, I - import, Agr – agriculture, forestry, fishing, Ind – industry, Con – buildings, Com – services: commerce, repair, hotels, telecommunications, Fin – financial services, real estate, rent, As- other services, Ip – taxes on goods, PJ – tax revenues from

companies, PF – tax revenues from individuals, Acc – excises, Avf – other tax revenues, Cp – privat consumption, Cg- governmental consumption

We considered two main factors, tax revenue and GDP, comprising a number of secondary factors of influence. Thus, within the tax revenues we focused on earnings from companies, the proceeds from taxation of all sources of income of population, revenue from VAT, excise duties and other types of revenue. In terms of GDP, it was divided on secondary factors of influence given by its calculation methods: the method of production and expenditure approach. Primary data source consists of budgetary execution of the state budget provided by the Ministry of Finance for 2000-2011 (preliminary), INSEE monthly statistical bulletins and Tempo online INSEE database for 2000-2010, INSEE press release No . 51/6 March 2012 on gross domestic product in the fourth quarter and 2011.

4. Results and conclusions

At state budget level, fiscal pressure has experienced a yearly and gradual decline from 14.12% in 2000 to 9.61% in 2009. Annual variation ranges from -2.49% in 2001/2000 to 0.92% in 2003/2002. Except last period, annual increases in GDP have a positive impact on tax burden, it contributed to decrease, while increasingly receipts from tax revenues have a negative impact leading to its increase. In terms of the impact intensity of these two factors (GDP, tax revenues) to influence fiscal pressure it prevails the evolution of GDP which gives the sense of evolution of tax rate in 7 of the 11 analyzed years.

In 2010 fiscal pressure rate recorded a value of 10.96%, 1.29% more than in 2009. This increase of 1.29% is attributable +1.64% to the evolution of tax revenues and - 0.34% to changes in GDP. The increase in tax burden calculated for the state budget in 2011 as compared to 2010 by 1.05% is due as follows: GDP growth has led to a decrease of 1.52% and an increase in tax revenue led to an increase of 2.57%, confirming the indirect relationships, respectively direct, between them. A breakdown by category of tax revenue indicates that VAT charged has the greatest impact on the evolution of the tax burden of 1.93% followed by excise with an impact of 0.50% and other indirect tax revenue of -0.12%. GDP evolution had an impact of -1.52% on fiscal pressure, this impact can be divided on its components, as follows: GDP

created in agriculture, construction and other services than commercial, financial, led to a reduction of tax burden by -0.18%, while the GDP created in industry, trade and repair services, financial services, real estate led to a decrease of -0.41% of fiscal pressure, the industry has the largest influence on it. The breakdown of GDP by expenditure approach is observed that the influence of -1.52% in 2011 is due mostly to private final consumption growth (-0.90%), to increases in exports (-0.74%) and increases in gross investment growth (-0.67%). The other two components of GDP had the following impact: a decrease in governmental consumption led to an increase in fiscal pressure of 0.01% and an increase in imports of goods and services had an impact of 0.78% on fiscal pressure.

Table 2: Results of factorial analysis between 2008 and 2011

Year	2008	2009	2010	2011	2009/2008	2010/2009	2011/2010
Tax revenues	55133,60	48152,90	56304,70	69.524,2	-1,36	1,64	2,57
Tax revenues from companies	14.405,30	11.989,40	10.929,07	10.658,7	-0,47	-0,21	-0,05
Venituri fiscale de la persoane fizice	4.156,30	3.553,20	3.525,10	5.112,2	-0,12	-0,01	0,31
VAT	21.691,80	16.639,90	23.672,30	33.602,0	-0,98	1,41	1,93
Excise	12.382,50	14.272,10	16.212,30	18.798,6	0,37	0,39	0,50
Other tax revenues	2.497,70	1.698,30	1.965,93	1.352,7	-0,16	0,05	-0,12
GDP	514.700,00	498.007,50	513.610,80	578.551,9	0,31	-0,34	-1,52
Agriculture, forestry, fishing	34.126,30	31.734,90	30.728,60	37.837,7	2,51	0,02	-0,18
Industry	11.848,60	121.842,50	135.472,00	152.062,9	-2,53	-0,30	-0,41
Buildings	54.628,20	49.350,00	45.481,90	56.744,5	0,10	0,08	-0,27
Commercial services, repair, hotels, telecommunication	114.762,50	107.556,20	108.502,30	109.665,7	0,14	-0,02	-0,03
Financial services	68.622,00	68.265,80	71.473,40	47.997,8	0,01	-0,07	0,56
Other services	67.910,50	69.097,80	64.265,90	85.222,5	-0,02	0,11	-0,51
Taxes of goods	56.164,50	50.160,30	57.716,70	69.201,2	0,12	-0,16	-0,26
Privat consumption	381.108,10	362.749,90	368.495,10	405.259,7	0,35	-0,13	-0,90
Governmental consumption	39.809,40	39.496,10	36.927,30	36.397,4	0,01	0,06	0,01
Gross investments	160.896,90	126.036,40	135.920,60	166.675,7	0,73	-0,22	-0,67
Export	156.629,30	153.349,80	183.832,60	221.842,1	0,07	-0,62	-0,74
Import	223.743,70	183.624,70	211.534,80	251.623,0	-0,85	0,57	0,78
Tax burden (%)	10,71	9,67	10,96	12,01	Δ Tax burden (%) – analyzed factors		
Δ Tax burden (%)	-	-1,04	1,29	1,05			

Source: Author calculations based on data sets of the Ministry of Finance and INSEE

GDP expenditure approach emphasizes the following conclusions: public and private final consumption is the factor with the highest influence on tax burden; an increased consumption lead to a lower annual tax burden; between an increase in gross investment and development of tax burden it is an inverse relationship, which led to an average annual reduction of 0.54% of the tax burden; the second most important factor considering the impact intensity is given by the trends in imports, between them and tax burden there is a direct relation, an increase in imports led to an increase in fiscal pressure during the reviewed fiscal years. An opposite situation is recorded for exports showing an inverse relationship with the tax burden.

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**REDUCING URBAN - RURAL ECONOMIC GAPS.
CASE STUDY ROMANIA**

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Abstract

The paper underlines that both the incentive and the concrete design of strategies/procedures are powerfully triggered by the environment of the program meant to reduce the gaps, i.e. the individual restricted rural structure circumstances. The transferability of 'good practice' is given to a partial extent only. However, this paper provides a fine indication of 'what can be done' and, in spite of the heterogeneity of European rural areas and the recognized types of social capital initiatives, the comparative study of the various approaches allows for the elaboration of some general recommendations to be followed when appealing in rural progress policy design based on social capital.

Keywords: *Europe 2020 Strategy, urban and rural areas, labor market, economic gaps, rural policy.*

JEL classification: *R00, R11, R20, R23, R28*

1. Introduction

In an effort to recognize possible similarities and variations between these regions, this paper searches key aspects of quality of life from an urban–rural point of view, specifically – income and deficiency; accommodation; employment and education; work–life balance; access to work, school, family,

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friends and services; and individual well-being indexes. The study not only reveals motivating answers about quality of life from an urban–rural angle but also raises significant issues for policymakers, mainly in relative to some of the poorer European countries.

So, as to increase competitiveness and raise participation levels, mainly for the low skilled, and in line with economic policy guideline, Member States must review tax and benefit systems and the capacity of public services to give the necessary sustain. Member States must increase labor force participation throughout policies to encourage active ageing, gender equality and equal pay and labor market integration of young people, disabled, legal migrants and other vulnerable groups. Member States must also get rid of barriers to labor market entry for newcomers, sustain self-employment and job creation in areas including green employment and care and promote social innovation both rural and urban areas.

2. Quality of life indicators and urban–rural discrepancy

The implication of the EQLS data alongside the array of aim, usually nationally derived, statistical data available for analyzing social issues in the EU and for informing the development of policy, has been argued in some of the earlier analytical reports started from the EQLS.

However, there are some precise latent advantages that should be mentioned in relative to the study of urban–rural discrepancies.

The EQLS data are also able to search other questions relevant to quality of life, but not fully captured in purposes statistical data. Such subjects include those connecting to the strength of the family and social networks (e.g. frequency and type of contacts), sense of community, and social identification with, experience of and attitudes to civic commitment. Once more, these topics are pertinent not only to the quality of life and welfare of individuals and families, but also to social solidity.

This paper involves the difference among urban and rural areas. It searches two spatial magnitudes: urban–rural disparities and how these vary involving countries and groups of countries.

The study based on this geographic framework reveals that in western and northern Europe, there is little proof of important urban–rural disparities.

As an alternative, it is in the poorer states of eastern and southern Europe that urban–rural differences are most marked; in relation to most of the indicators, this disparity involves a lower level of perceived welfare and quality of life in rural areas. So, policy considerations concerning urban–rural differences will be most pertinent in these countries.

In relation to the units of study used in this paper, two points should be bear in mind. To begin with, while the social policy dimension concerned with variations and differences among individuals and households within geographical units is not clearly an element of this analysis, it is an central implicit part; this is because the reference point for subjective evaluation of relative lack and related issues will normally be comparisons with other individuals and households within the country or area.

Secondly, while the characterization of countries as a geographical unit refers to fixed, managerially defined limits, the geographic categories of rural and urban used in this paper are based on an exact data source and convention which are at variance with the definitions used in other datasets.

One key advantage that the EQLS data might get to an analysis of urban–rural discrepancies is the possible for the quality of life approach to look at certain extensively held views: first, that the basic, non-material character of rural life recompense for what may be the material reward of urban life; and second, that in contrast with urban areas, quality of life and subjective well-being will be higher in rural areas than might be projected based purely on the proof of objective indicators of material welfare.

There is certainly some proof of factors that may make up for rural inconvenience. For example, lower monetary profits in rural areas of poorer country groups may be equalize by the self-provision of food, which is a factor not typically recorded in other data. However, there is little proof that general levels of life fulfillment are higher in rural areas.

Lately EU policy has lacked compassion to urban–rural relations and gaps.

On the other hand, the interdependencies among these two regions now have a new political salience and are likely to turn into even more vital with the emergence of territorialized growth policy (Bengs and Schmidt-Thomé, 2005), so underlining the weight of policies such as InterReg for addressing the interdependencies of urban–rural associations.

3. Implications for EU rural policies

A main result of the EQLS data analyzed is that the perceived quality of life in many domains seems to be worse in rural areas than in urban areas in the poorer Member States (EU6 Low), and mainly in the acceding and candidate countries (ACC3) of southern and eastern Europe. In distinction, there are few variations between rural and urban areas in the more rich EU Member States of northern and western Europe. This ruling uncovers a major dispute for the EU's rural and agricultural policies in devising ways to improve these shortcomings in rural areas of the poorer Member States.

A double challenge emerges from these findings. One dimension of this challenge involves finding ways to support stronger rural economies and quality of life in rural areas of the poorer countries, because the CAP investments are directed towards agriculture rather than rural development. So, the question is whether it is possible to reduce these disparities within poorer countries mainly through agricultural policy measures only. The second, territorial dimension of the challenge concerns the fact that current support under the CAP goes principally to the wealthier regions of the richer countries of northern and Western Europe, with the least sustain going to those very areas identified as having a lower perceived quality of life (Shucksmith et al, 2005).

One more cause of regional and national differences relates to the rough allocation of RDR funds (based on historical spend) in the EU, together with the co-financing necessities for Pillar 2 spending. Under the Agenda 2000 agreement, the RDR allocated only modest funds for the period 2000–2006 and this will remain the case for 2007–2013. In the meantime, countries with questionably the greatest environmental and rural development needs stay underfunded (Baldock et al, 2002; Dwyer et al, 2002).

The EU Commission has maintained that its reforms of the CAP since 2003 have required making it well-matched with the EU's cohesion objectives and its regional policies. But, when Shucksmith et al (2005) modeled the impacts of these suggestions, they completed that the latest reforms will do nothing to take away the inconsistency between the CAP and cohesion policy,

if not they are accompanied by exact national priorities aimed at specific local program accomplishment.

So, rural areas of the poorest countries have the lowest perceived quality of life in Europe. Yet, it appears from current research that events under the CAP lend very little support to these areas, as an alternative focusing on rural areas in the wealthy core of Europe.

Some suggestions could be offered on how the CAP might add more effectively to the economic and social development of these rural areas in the poorest countries of southern and eastern Europe. Such efforts would require greater FEOGA² expenditure to be constant to broader rural development activities targeting the poorer rural areas of Europe, and less to be spent on market hold up in ways that at present favor the wealthy rural regions with larger farms and supported products.

It is vital that these territorial measures contain support for rural society development, working with and building the capacity of individuals and groups within their communities. Local improvement agencies should priorities collective action that is comprehensive when offering grants and other support, and should smooth the progress of new arenas for contact and collective learning.

Stability with cohesion objectives could also be improved through allocating the RDR budget to Member States according to their relative needs for rural development and environmental management, as proposed in the *Mid-term review of the CAP* (European Commission, 2002). A paper by Mantino (2003) illustrated a diversity of ways in which this might be achieved at regional level, using subjective criteria suggested by the Commission in the first draft of the MTR proposal (agricultural area, agricultural employment and GDP per capita) and previously used for SAPARD allocations in the then candidate countries, as well as different environmental criteria.

In conclusion, bigger spending under the CAP on a LEADER-type approach is suggested, if territorial cohesion is to be pursued in rural areas of the poorest countries in Europe. The EU initiative LEADER was introduced in 1991 as a pilot project, to stimulate innovative approaches to rural

² The European Agricultural Guidance and Guarantee Fund or *Fonds Europeen d'Orientation et de Garantie Agricole*.

development at local level, particularly in the most underdeveloped rural areas.

Of all the measures under the CAP, Shucksmith et al (2006) concluded that the LEADER program was the most triumphant in support the poorest, declining rural regions of Europe and thus holds the most possible for promoting territorial cohesion.

The gradualist proposals of the EU Commission for the period 2007–2013 will allow the LEADER model to be applied on a wider scale by Member States that wish to do so. However, even if the Commission argues that ‘for the EU as a whole, persistence and consolidation of the LEADER approach will be safeguarded’ (European Commission, 2004), the reduction in the overall funding of Pillar 2 threatens the continuation of the LEADER program in many countries. This program offers a real chance to build capacity and well-being in the poorest rural areas of Europe.

4. Implications for EU urban policies

Relatively less notice is given here to discuss the implications of urban–rural differences, uncovered in the EQLS, for EU policies involving to urban areas. This is mainly for the reason that the results lift fewer questions for urban areas. In most of the domains quality of-life indicators in urban areas were equal to or better than those in rural areas. Even the assumption that initially proposed a amount of urban inconvenience were not borne out by the data, as this can be deduced from the respondents’ subjective assessment of unemployment, nor was there any believable evidence in the data of higher non-material inconvenience experienced by urban residents, which lowered their levels of life satisfaction as compared with rural areas, even in the most affluent countries.

On top, it is clear that there is appreciation in EU policy of the vital importance of cities to economic development within a knowledge-based economy (European Commission, 2005c). Certainly, this does not mean that urban troubles do not exist, but rather that they typically involve inequalities within urban areas and, in particular, the presence of urban deprivation and social exclusion within neighborhoods. It is central to accentuate that these differences are masked in the cumulative data for urban areas used in this

analysis. The fact that the analysis does not expose urban troubles in relation to quality of life indicators does not mean that they do not exist at neighborhood level.

The EU has known the significance of addressing inequality and exclusion within cities. As the URBAN program did not continue beyond 2006, the kinds of action funded under the URBAN and EQUAL initiatives were included in the operational programs of the Cohesion Funds.

There has, however, been an ancient worry that the refocusing of funds on the NMS could be to the detriment of de-industrializing cities and urban regions within the EU15 in particular, and of poor neighborhoods and groups within these areas. Once more the mixture of convergence and economic competitiveness may work beside some urban areas of this kind. Even as some declining urban areas in the wealthier countries may succeed in reinventing themselves economically, others may not and could reflect the rural areas in the poorer countries, losing out in the developing model of EU subsidy.

5. Types and examples of precise actions that can reduce urban-rural differences

The idea of social capital is quite new, complex and vague. Particular social capital initiatives for development of job creation in rural areas are hardly ever implemented or introduced at the planned policy level, but somewhat are realized in the form of tangible projects or procedures at local stage.

The social capital initiatives recognized can be grouped into the subsequent types, a number of which are characterized by cross-regional or cross-national collaboration:

- Partnerships among authorities (government, social partners, NGOs) of diverse administrative levels for combined policy growth;
- Public-private collaborations for joint policy growth³;
- Public-private collaborations for empowering rural ventures;
- Creation and/or support of traditional business clusters, mainly in rural areas where companies abstain from collaboration;

³ When referring to public-private partnerships, it needs to be acknowledged that the meaning of 'private' is ambiguous since many 'private actors' (particularly NGOs) are funded by public money.

- Creation and/or sustain of business systems for the joint allocation of rural goods;
- Creation and/or sustain of business systems focusing on local sole selling propositions⁴, i.e. building on local production/service ethnicity;
- Creation and/or sustain of business systems for growing the local tourism sector, i.e. building on natural and/or cultural resources;
- Creation and/or sustain of business systems encouraging employment in the region, mainly with a precise focus on individual target groups;
- Creation and/or sustain of systems aiming the labor market incorporation of the local inhabitants, mainly with a specific focus on individual target groups.

What all these diverse types of proposals have in common is the setting up or use of social networks as an instrument to carry out joint actions for the advantage of the individual local community. This takes into account the information that social capital merely exists when it is shared by diverse citizens and, then, can contribute to a more competent use of other types of assets.

6. Developing a skilled workforce answering to labor market requirements, encouraging job quality and lifelong learning in order to reduce urban-rural gaps

Member States ought to encourage productivity and employability through a sufficient supply of knowledge and skills to equal current and future demand in the labor market. Education and attractive vocational training have to be complemented with real incentives for lifelong learning, second-chance opportunities, guaranteeing every adult the chance to move one step up in their qualification by targeted migration and integration policies. Member States should build up systems for recognizing acquired competencies, eliminate barriers to occupational and geographical mobility of workers, promote the acquisition of transversal competences and creativity, and center their efforts

⁴ Unique Selling Proposition (USP) refers to an inimitable competitive advantage (e.g. best quality, lowest price).

particularly on sustaining those with low skills and rising the employability of older workers, as at the same time improving the training, abilities and experience of highly capable workers, as well as researchers.

Member States' hard work to reduce poverty must be intended for promoting full contribution in society and economy and extending employment opportunities, making full use of the European Social Fund. Hard work must also focus on ensuring equal opportunities, counting through access to reasonable, sustainable and high quality services and public services and particularly health care.

Member States must take efficient anti-discrimination actions. Just as, to fight social exclusion, give power to the people and encourage labor market participation, social protection systems, lifelong learning and active inclusion policies must be enhanced to create opportunities at various stages of people's lives and protect them from the risk of elimination.

Social security and pension systems have to be reorganized to guarantee that they can be fully deployed to ensure sufficient income support and access to healthcare — consequently providing social cohesion — as at the same time remaining financially sustainable. Benefit systems have centered their attention on ensuring income security during transitions and reducing poverty, especially between groups most at risk from social segregation, such as one-parent families, minorities, people with disabilities, children and young people, elderly women and men, legal migrants and the homeless. Member States have to actively support the social economy and social innovation in sustaining of the most vulnerable.

7. Inclusive growth – a high-employment economy bringing economic, social and territorial cohesion

Inclusive growth equals to empowering people through high levels of employment, investing in skills, struggling with poverty and modernizing labor markets, training and social protection systems subsequently to help people expect and manage change, and build a cohesive society. It is as well necessary that the benefits of economic growth extend to all parts of the Union, counting its furthest regions, therefore increasing territorial cohesion. It is about ensuring access and opportunities for all throughout the lifecycle.

Europe needs to make full use of its labor potential to face up to an ageing population and rising global competition. Policies to encourage gender equality will be required to boost labor force participation consequently adding to growth and social cohesion.

Europe should act:

- Employment: Due to demographic change, our workforce is about to shrink. Only two-thirds of our working age population is currently employed, compared to over 70% in the US and Japan. The employment rate of women and older workers are particularly low. Young people have been severely hit by the crisis, with an unemployment rate over 21%. There is a strong risk that people away or poorly attached to the world of work lose ground from the labor market.
- Skills: About 80 million people have low or basic skills, but lifelong learning benefits mostly the more educated. By 2020, 16 million more jobs will require high qualifications, while the demand for low skills will drop by 12 million jobs. Achieving longer working lives will also require the possibility to acquire and develop new skills throughout the lifetime.
- Fighting poverty: 80 million people were at risk of poverty prior to the crisis. 19 million of them are children. 8 per cent of people in work do not earn enough to make it above the poverty threshold. Unemployed people are particularly exposed.

Action under this priority will require modernizing, strengthening our employment education and training policies and social protection systems by increasing labor participation and reducing structural unemployment, as well as raising corporate social responsibility among the business community. Access to childcare facilities and care for other dependents will be important in this respect. Implementing flexicurity principles and enabling people to acquire new skills to adapt to new conditions and potential career shifts will be key. A major effort will be needed to combat poverty and social exclusion and reduce health inequalities to ensure that everybody can benefit from growth. Equally important will be our ability to meet the challenge of promoting a healthy and active ageing population to allow for social cohesion and higher productivity.

8. Case Study – Romania

After 2005, we can notice that the urban unemployment reduces and starting with the year 2009 it can be observed a boost due to the economic crisis and its impact on the Romanian economy.

The Romanian job market has lost over two million people in the past few years due to emigration. Large Diaspora communities have formed in Spain and Italy, while EU jobs in Brussels also attract young Romanians. In the spring, Labor Minister stated that while the EU's target is 75%, Romania is nearer 50%. Women, young people and the over-45s are particularly struggling to find jobs.

However, one area of work that is not counted in the country's employment figure is subsistence farming. 30% of Romanians work in agriculture and this includes those who focus mainly on growing enough food to feed their families.

Table 1: Unemployment rate in urban and rural Romania (gender and area)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gender												
M	6.5	7.4	7.7	7.1	8.9	7.5	7.7	7.7	8.2	7.2	6.7	7.7
F	6.1	6.2	6.4	5.9	7.7	6.4	6.9	6.4	6.1	5.4	4.7	5.8
Area												
Urban	9.2	10.3	11.2	10.4	11.2	9.5	9.5	8.8	8.6	7.7	6.8	8.1
Rural	3.5	3.5	3.1	2.8	5.4	4.3	6.2	5.2	5.6	4.9	4.6	5.4

Source: Bulletins of the National Institute of Statistics, various issues, period 1998-2009.

Inter-regional factor mobility is recognized to be an important route to encourage economic growth and efficiency gains. EU enlargement with Romania and Bulgaria forces both countries to develop their regional policies and to stimulate their economic development. One of the central issues of economic development is an efficient interregional migration that contributes to the decrease of regional income disparities by reallocation of labor from low productivity to high productivity regions. It can be achieved by improving the employment opportunities, real wages and economic and social

circumstances of diverse regions. At the moment, it seems that the efficiency and welfare (as measured by output) gains from inter-regional labor mobility in Romania have been quite restricted.

Unemployment effects are missing and that wage effects are principally the influence of low wages in donor regions. To reduce these counter-intuitive results, I think that the inter-regional migration decisions are in part the results of the de-collectivization of Romanian agriculture. It has provided rural economic opportunities, while high rates of urban unemployment have reduced urban economic opportunities. In result, it was some major return migration from urban to rural areas, which may have incidentally implicated interregional relocation.

This means that, while controlling for differences in each direction of migration and each year, the depicted pattern of migration becomes characterized by pull effect rather than push effect, based on rational income decisions. This repercussion is very important, as it stresses the fact that as the massive reform of the Romanian economy gets under way, the effects of many other socio-economic factors such as housing, health amenities and human capital turn out to be significant areas of future inter-regional migration research.

More recent and relevant data of internal migration in Romania would be a good way forward to model an extension of the standard economic models that include significant socio-economic conditions which could influence migration decisions.

9. Conclusions and recommendations

- Encouragement of the role of youth in rural areas requires more attention and funding to territorial RD within the RDR.
- Young people entering farming will also experience individualization, so will need leadership and support, perhaps through RDR and a broadened New Entrants Scheme.
- Partnerships have become an essential factor in RD, and much more could be done to engage young people. CEC should fund research to learn lessons of LEADER and fund the piloting of ground-breaking ways of involving rural youth.

- Evaluations of youth policies must reveal their impact on youth unemployment in rural areas.
- In preparing young people for uncertain non-linear youth transitions, flexible and creative support structures are needed which can address each young person's individual and various needs. This should include employment, welfare, education, training, careers and guidance services.

Cohesion policy is being refocused on the NMS, but there is a predisposition to direct funds to cities as areas of greatest potential. This risk is neglecting the rural areas where living standards are lower. Such strategies will encourage the out-migration of rural youth.

- The challenge is to build up a coordinated policy in relation to young people which encourages balanced territorial development of rural and urban areas of the NMS.
- Centralization of services deteriorates issues of remoteness, accessibility and migration for young people in rural EU.

As the European Union slowly begins to emerge from the economic crisis, member-state governments now face the tough task of reviving their job markets and getting people back into work in the coming years, against a backdrop of an EU employment target of 75% for the year 2020.

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COMPOSITE SYNERGY OF SERVICES – A NEW CONCEPT CONCERNING SERVICES

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Abstract

The current paper addresses the dynamics of the service sector in Romania, from the perspective of a new concept, namely the "composite synergy of services". The main points of the paper approach the fact that direct and indirect investments in the service sector create a synergic and composite effect on the development of the economy, as a whole, in Romania. The paper aims to be a prequel to a mathematical and economic demonstration of the existence of the composite synergy of services, laying the theoretical foundations of the concept and underlining the premises for its existence.

Keywords: *synergy, composite, services, premises, service sector in Romania*

1. Introduction

The tertiary sector of an economy in general is considered, at this time, to be the most productive of the three major sectors within an economy. The three main sectors are: agriculture, industry and construction, and the tertiary sector, i.e. the service sector. Of the three, the service sector in Romania has developed with the utmost intensity in recent years.

There are several causes for this tempestuous development. The first one would be based on the fact that consumers are more and more refined. Or

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rather, that their needs are more and more elevated. This means that, as society develops, the tertiary sector occupies a more and more important role in our daily lives, because it offers more and more responses and solutions to daily issues that need solving. Because the main paradigm of economics states that "a need, once satisfied, creates other needs". We can clearly see the main difference, as well as issue, of this statement: a need generates needs, ergo, a superior satisfaction of one's needs is of the utmost importance.

The second cause for the extraordinary development of services is given by the globalization process, regarded as a whole set of elements which contributed to the development of the service sector. Globalization, understood, of course, as a general process of lowering trade barriers between countries and regions, a process which generally makes the world a much smaller place to be and to live in, and which creates almost indestructible links between nations and regions.

2. General traits of the service sector in Romania

Almost non-existent before 1990, the service sector in Romania developed at a fast pace after the fall of the communist regime, in 1989. A regime in which the economy was completely state controlled and owned, in which economic reason had no reason other than political will. And unfortunately, as we already know, the political will was directed towards one thing and one thing alone, namely to strengthen the rule and the grip of a dictator-like figure, in our case Nicolae Ceaușescu.

However, not even the communist regime could oppose globalization, and thus, after a violent revolution, full of controversy, of lies and deceit, we began a long path towards globalization, towards a market economy.

The main issues in our country were based on a wrong dimensioning of the three main sectors of the economy, along with another array of elements which, put together, would make the entire transition process even more arduous and long. Ergo, the first sector, agriculture, was heavily subsidized by the state and reliant mostly on state governed help. Unfortunately, that meant that when the state, in its communist, authoritarian sense, would disappear, agriculture would now have to struggle to compete on an open market and thus abide by new market rules. An option for which, of course, it was not prepared and is not fully prepared to this day.

The second sector, i.e. industry and constructions, has developed intensively since the fall of the communist regime, in 1989. Both the private and industrial constructions sector has experienced considerable growth, but the sector has had a sinusoidal path which culminated in the 2007 – 2008 crash, from which it still reels. Thus, it has become increasingly clear that the construction sector cannot constitute a real engine for durable development. Also, concerning industry, this sector was abominably developed during the iron curtain years, which meant that giant state-owned enterprises have been created throughout the country. On a short and medium term basis, this ensured jobs for thousands of workers, but on a long term basis, these giants had proverbial "legs of clay" and, as a result, they crumbled, without a state and a party to control their output.

Thus, the service sector was the only has proven to be the only one which presented the ability of ensuring sustainable growth and development to societies in general, and the Romanian society in particular. So let us understand what the service sector covers first, in order to understand its capital influence on the economy. The term services are generally used to cover a heterogeneous range of intangible products and activities that are difficult to encapsulate within a simple definition. Services are also often very difficult to separate from the goods with which they may be associated in varying degrees (MSITS, 2010).

Services are, in general, the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets (MSITS, 2010). Such services can be described as change-effecting services and margin services, respectively.

This means that change-effecting services are outputs produced to order and typically consist of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers. They are known to be named, in the specialized literature, as "transformation services".

Change-effecting services are not separate entities over which ownership rights can be established, and as a result they cannot be traded separately from their production. By the time their production is completed, they must have been provided to the consumers.

Transformation services are believed to include the following elements (SNA, 2008):

- The changes that consumers of services engage the producers to bring about can take a variety of different forms as follows:

(a) Changes in the condition of the consumer's goods: the producer works directly on goods owned by the consumer by transporting, cleaning, repairing or otherwise transforming them;

(b) Changes in the physical condition of persons: the producer transports the persons, provides them with accommodation, provides them with medical or surgical treatments, improves their appearance, etc.;

(c) Changes in the mental condition of persons: the producer provides education, information, advice, entertainment or similar services in a face-to-face manner.

Of course, such changes brought forth in the transformation process may be temporary or permanent. An example to illustrate a permanent change are either medical or education services, in which changes usually are permanent, considering the fact that consumers will have benefits which will extend over many years, and an example to reveal a short-term change is attending a play, which generates a short-term experience.

However, the consumer always engulfs the experience produced by the consumption of a service, being it good or bad. Ergo, one can measure the satisfaction of such an experience via different methods. However, that is not the point of the current paper and thus we will not analyze this point further.

Moving onward, we must not that we also have margin services. These are defined (SNA, 2008) as follows:

Margin services result when one institutional unit facilitates the change of ownership of goods, knowledge-capturing products, some services or financial assets between two other institutional units. Margin services are provided by wholesalers and retailers and by many types of financial institutions. Margin services resemble change-effecting services in that they are not separate entities over which ownership rights can be established.

This characterization means that they cannot be traded separately from their production, thus respecting one of the main traits of services, in general. By the time their production is completed, they must have been provided to the consumers.

In order to conclude the various types of services presented above, we apply the same recommendation in analyzing service classification as the SNA, which recommends the use of CPC, Version 2, for the classification of products or outputs. As we can see there, services products are classified

approximately in sects. 5 through 9 there, and of and of ISIC, Rev.4, for the classification of activity.

In Romania, according to the balance of payment, published by the National Romanian Bank each year (*Balanța de Plăți și Poziția Investițională a României, Raport BNR, 2011, pos. 1.1.2.*), the service sector is divided into three categories:

- Transportation, which is divided into goods transports, passengers transports and other transports, meaning transportation of gas, energy, and fibre optics (internet), and other unconventional transports
- Tourism – travels, which is divided into business tourism and private tourism,
- Other services, which include the following:
 - o Communication services,
 - o Construction services,
 - o IT services,
 - o Advertising, marketing and market studies,
 - o Judicial services, accounting consulting, managerial consulting
 - o Architecture, engineering and other technical services,
 - o Financial services,
 - o Licence tax and copyrights.

This classification has been made as such due to the large portion of the tertiary sector taken by transportation, in all of its aspects, as well as tourism and travels. All other categories have been grouped into a miscellaneous group, dubbed other services. Several additional arguments as to why this classification has been made as such will be revealed in the following paragraphs of the sector.

The services balance has revealed a gross surplus of 340 million Euros, in 2011, but this surplus has decreased with almost 16% compared to 2010. This has occurred namely due to an increase of expenditures in the other services category, ergo, the miscellaneous group within the tertiary sector. One must note, upon analyzing the data offered by the NBR report, that out of all the components of the balance of payments concerning services, only the transportation sub-sector revealed a surplus, while tourism-travels and other services have posted negative outputs.

An explanation for this event is given by the fact that our economy is still reeling from the extent of the global financial crisis, and while transportation services remain paramount to maintaining consumption levels at the current state, tourism services, travelling and other services have all decreased, as household budgets have diminished.

Incomings from services have tallied 7.523 million Euros, as a whole, in Romania, in 2011, increasing with 9,5 %, but expenses have tallied 6.913 million Euros, increasing by 11,2 % as compared to 2010. We also note the fact that all the components of the services sub-sectors, both payments and incomings, have recorded progress. None have regressed.

The transportation sector has registered a surplus of 883 million Euros, as compared to 772 million Euros the previous year, as both its major components have revealed increases. This means that both goods transportation and passenger transportation have recorded positive results. Goods transportation has registered an excess of 592 million Euros in 2011, increasing by 26,8 %, influenced in a decisive manner by road transportation. Curiously enough, although a crisis year, passenger transportation output has increased by 9,6 %, reaching 195 million Euros, influenced decisively by aerial transportation.

The tourism-travelling position has recorded a deficit of 389 million Euros, which was 2,9 % bigger than in 2010. Private tourism has plummeted, in terms of incomings, and the other key element of this sub-sector, business tourism, has also decreased severely, as many managers and businessmen and women have lowered their travelling standards, i.e. switching from first class to coach.

The other services sub-sector has registered a deficit of circa 154 million Euros in 2011, with 10 million Euros bigger than in the previous year. The main services which contributed to the deficit comprised of the licence and copyright taxes, financial services, architecture and engineering services and other technical services.

Further information on the subject may be accessed on-line, as the statistical analysis of these numbers is not the point of the current paper.

3. Dynamics of the service sector – the requirement for a multi-criterion analysis

Considering the dynamics of the economy today, and of the Romanian economy in the last 20 years, we can safely say that in our country, the service sector has proven to be the most important in terms of development and economic progress.

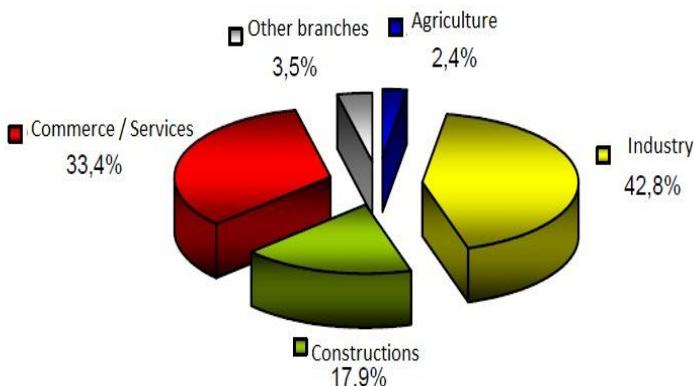
This statement becomes even truer when it is faced with the fact that direct and indirect investments have been clearly directed towards services. According to the National Statistics Institute (NSI, 2012) investments were made as follows:

- Agriculture 2,4 %,
- Industry 42,8 %,
- Constructions 17,9%,
- Commerce / Services 33,4%,
- Other branches 3, 5 %.

Thus, there is no doubt that the service sector, which, from the point of view of the balance of payment, mentioned above, includes construction services, channels the most part of investments, i.e. $33,4 \% + 17,9 \% = 51,3 \%$, ergo, more than half of total investments.

Graph 1 – Investments structure in the national economy in 2011

Investments structure, considering the branches of the national economy, in 2011



Considering the fact that in the agriculture sector of the economy, investments are almost nonexistent, and that industry follows its own path, driven mostly by exports, it is becoming clearer and clearer that services represent the new dynamics in this contemporary economy.

To go even further, services manifest a very fast speed of development and represent the spearhead for the development of our economy on a short, medium and long term.

The more needs consumers have satisfied, the more needs they will have, and thus, resources for the satisfaction of such needs must be provided. For example, once we had access to the internet via dial-up connections, broadband connections appeared and became more and more required. Today, broadband connections are a must have and resources are allocated for even faster connections. And the list may go on and on, from fixed telephones to the explosion of smart phones today, from bicycles to cars, and examples may continue.

The only economic permanence is change. This means that the economy continues to grow, to develop, with the tertiary sector as its main engine. Transportation, communications, make the world a much smaller place and set the ground for additional development. Globalization, as a process of lowering barriers across countries, regions, nations, is being upgraded by the development of services on one hand, and on the other it too influences the need for more and more services, such as financial services, communications, which can link any two points on the globe.

Considering all these facts, we can observe that a rather peculiar phenomenon occurs, i.e. a synergetic effect, which the development of services has on an economy, and on our economy, in particular. This sets the grounds, as well as the need for a new concept within our economy, in order to attempt to explain such dynamics, namely the composite synergy of services.

4. Composite synergy of services – premises and a broad definition

When trying to define synergy, things are not as facile as one would believe. The influence of services, their impact in our lives is visible, uncontested, yet difficult to assess or measure. Services are at the core of our economic evolution, but their relentless development also carries out several

risks. Synergy was a term first used in biology and medicine, but it became one of the most used in economics due to its broader sense, meaning that when certain elements work together, they generate a composite effect, meaning that they generate a result which is bigger than the sum of its parts. And it is precisely this fact which has been mentioned before, as noticeable, within the sector service, but it is precisely this fact that is, without rigorous analysis, difficult to prove.

A first premise when assuming that composite synergy exists is the one that there are no “closed” systems within the contemporary economy, meaning systems which do not communicate with their exterior world, i.e. other systems, or, to put it differently, there are no systems which are autarchic. This undoubtedly means that, regardless the system, be it economic or social or of another kind, it is open to “exchanges” with any external environment or system. So, we begin from the premise that there are no systems which deliberately refuse exchanges or trades with other systems. They can be countries, regions, even multinational corporations. Even if at a given point, a system refuses changes with another system, a substitute will be found and trade will resume, regardless of the costs. This statement is also valid when talking about various economic agents or regions.

As a result, there is an inherent openness of systems towards trade, in order to communicate with their external environment. This is even more valid in terms of the tertiary sector, a sector with prowess and openness to change, and communicating with all systems, as well as expansion.

A second premise for the existence of the composite synergy of services is that the geographical criterion becomes a non-issue, ergo irrelevant. Thus, the notions of proximity and / or distance, which is valid in goods trading and represents an important cost factor within trade, become irrelevant within services trading. So, the notion of “international trade with services” occurs, meaning the trading of services between two states / regions / corporations, which oversees the borders of a country. The specifics of the service sector is truly marked by the impossibility of separation between the provider and the consumer, but it does not imply its physical and geographical proximity.

Finally, the third required premise is given by the fact that services development in a certain region, geographical area within a state, produces visible effects on the development of that region as a whole and implies the development of other sectors within the region / state / area. This premise is

essential to mention because, of the three major sectors of the economy, studies have proven that services produce the highest added value. Ergo, services produce the highest well-being in real terms for the country, region which provides them, in a higher measure than industry or agriculture.

Summing up the premises mentioned above, one can foresee the need for both theory and practice, to define in a pertinent manner, this major contribution that the service sector may have on the well-being and living standards of a state / region. The proposed concept is that of “composite synergy”.

It is important to point out that observing the manifestation of synergy within services is just the first stage of a rigorous analysis. Observing the synergy of services leads to the requirement of being able to measure it. And here is where a strong correlation between mathematics, statistics and economics comes in. Synergy within services must not only be enunciated in a theoretical fashion, rather it must be proven, in a mathematical and economical matter.

In order to determine and fundament the synergic and composite effect of services on the economy, it is necessary to have a multiple perspective, a dynamic perspective. Such a requirement requires the use of a mathematical instrument called multi-criteria analysis, seemingly the only tool capable of analyzing a dynamic sector such as the services sector. Multi-criteria analysis involves the establishment of critical, predefined variables, which influence the service sector in a direct manner, as well as international trade with services, and which influence, indirectly, other branches of the economy, namely of our national economy.

If the observation of the synergy effect is relatively easy, its measuring is a somewhat difficult endeavour, and here is where problems become a bit more complex. As a result, the need to define synergy and choosing an adequate mathematical and statistical data, with a practical economic applicability, in order to reveal composite synergy, occurs.

As a partial conclusion of all the aspects presented above, we may attempt a first definition of synergy within services, which represents “*the ability of the service sector within a country to influence, via its own development, in a direct and indirect manner, the other sectors of the economy, actively contributing in a greater manner to their development than if investments within the service sector would not take place*”.

This definition attributes, since its beginning, a well-defined role for the services sector, and individualizes it as a factor of influence in the modern economic development of our country. Also, it is clearly stated that the influence of services, as well as the impact of international trading with services, on the national economy, can be manifested in a direct and indirect manner. One must not confuse the means to manifest the influence of services with the intensity with which it manifests. To put it simply, services do not contribute, via their high added value, only to the development of providers in this sector, a logical development, by the essence of economic activity, but also it contributes to the development of tangent sectors.

The term “composite” has not been added randomly, rather it aims to underline the composite effect which the development or regression of services has on other sectors of the economy. In the case of complementary sectors to the services sector, the influence is strong and direct, and in terms of other sectors it has an indirect influence, of variable intensity. Empirical analysis proves this, but it will make the object of another paper.

5. Brief conclusions

The notion of composed synergy within services represents “the ability of the service sector within a country to influence, via its own development, in a direct and composite manner, the development of other sectors of the economy, as well as its own development, contributing to the direct development of sectors which interact with the tertiary sector and to the indirect development of other sectors”.

Still, the simple existence of composite synergy within the services sector cannot and must not be only stated; rather it must be sustained by valid arguments, based on a complete and concrete analysis, which can justify its existence. The mathematical instrument proposed is multi-criteria analysis, whose explanation and demonstration will constitute the object and purpose of a different paper.

Composite synergy within services is a new concept for a dynamic economy, meant to illustrate the direct and powerful influence of services development in Romania on our daily lives and our economy, whose quantification is rather difficult, in spite of its observable nature.

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CONSUMER BEHAVIOUR: DOES HISTORY MATTER?

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Abstract

The economic crisis and its obvious effects are moulding consumer behaviour and offer the framework for reshaping consumption patterns. However, confronted with budget changes it is natural to assume that consumers might be reluctant to immediately recast their consumption patterns. Their reluctance can be related to the notion of hysteresis which is used by economists to describe the persistent influence of past economic events. The paper aims at presenting the notion of hysteresis, briefly reviewing its application to economics and especially consumer behaviour, given the vast possibilities for empirical testing offered by the present context.

Keywords: *consumer behaviour, hysteresis, persistence, habits*

JEL classification: *A12, D11*

1. Introduction

The world economy is affected by the global crisis which has left its mark on the lives of consumers almost in all markets of the world. The obvious effects and their constant mediatisation emphasize the impact of the crisis and add to the already installed state of uncertainty. The current context shaped by the economic crisis is remodelling mentalities and re-lays the foundation for a new conceptual model of determinants of consumer behaviour- more conscious, more rational, and more attentive. However, it

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seems rather improbable for consumers to abandon their consumption patterns immediately once confronted with budgetary restrictions. In other words, it is only natural to assume that the consumers would try to stick to their consumption patterns, following a budget decrease. This influence of the past on present behaviour relates to the notion of hysteresis, which originated in the field of ferromagnetism where it was employed to describe the persistence of a temporary influence in a particular system. Subsequently, the term “hysteresis” was applied to a variety of domains, including economics.

In economics, the term is used to describe the persistent influence of past economic events and the reference to the influence of memory effects on the functioning of economic system is considered to represent a significant advance in economic thought. Moreover, it is credited with potential to narrow the gap between economic modelling and economic reality (Cross, 2009).

The paper is therefore an attempt to revisit the notion of hysteresis and to briefly review its application to the field of economics and especially to the theory of consumer behaviour, bearing in mind the very generous terrain offered by the current context of the economic crisis for empirical testing of hysteresis effects.

2. Brief account on Hysteresis in the Field of Economics

The term “hysteresis” derived from the Greek word “hysterein” meaning “that which comes later” and was used for the first time by the physicist James Alfred Ewing (Ewing, 1881) in the 19th century to describe the persistent effects of the temporary exposure of ferric metals to magnetic fields. The irreversibility coined as hysteresis can be explained as follows – if the initially unmagnetized probe is magnetized until it reaches saturation and then the magnetic field is dropped to zero, the ferromagnetic material retains magnetization. Therefore the ferromagnetic materials is of history dependent nature - once the material has reached the saturation point due to the magnetizing field applied, the magnetizing field can be reduced to zero and the material will retain an important degree of magnetization. In other words, the hysteresis loop shows that the ferromagnetic material remembers its past. In order to drive the magnetization to zero again, the magnetic field must be reversed and increased. It then reaches the saturation point in opposite direction.

Easy to assimilate at an intuitive level, the persistent influence of past events in different areas of economy was noticed and rather extensively discussed in the dedicated literature.

But although the notion was certainly present previously, the term “hysteresis” *per se* was only seldom used in economic literature before the 1980's (Cross, 1993).

Nicholas Georgescu-Roegen has used the term consistently since 1950 (Georgescu-Roegen, 1950) in the field of consumer behaviour, and subsequently in his work from 1971, *The Entropy Law and the Economic Process* provided the economic literature with a general framework for the application of hysteresis to social sciences. Although he did not offer a formal definition, his work had a great impact on the application of hysteresis to economics.

The term was used in the 1960's by Paul Samuelson and in the 1980's was extensively used in unemployment and international trade with Edmund Phelps using it to describe the dependence on history in the former domain, while Murray Kemp and Henry Wan used it in the latter (Cross, 1993).

In international trade hysteresis refers to the persistent influences of temporary factors such as exchange rates variations and their impact on prices and quantities. The application of hysteresis is mainly exemplified by the fact that foreign firms can enter a domestic market only by incurring once-for-all sunk costs; a temporary but sufficiently large rise of the exchange rate would induce permanent entries by foreign firms. Therefore, even when the exchange rate returns to its previous level, the firms will find profitable their stay in the domestic markets (Franz, 1990).

In unemployment, in the mid 1980's, it was empirically proved that following the implementation of the disinflationist strategies unemployment did not go back to the natural or equilibrium level in most European countries, but remained high and even continued to rise. This was the moment when the economists started to develop other explanations for the persistence of unemployment, based on the accumulation of the consequences of the most important previous shocks experienced by the economy, thus introducing hysteresis (Lang, 2009).

Hysteresis, referring to the persistent effects of temporary influences, was considered for application also in the field of foreign investment, capital formation or marketing.

However, although hysteresis has been invested with relevance to economic systems, it has not been formally incorporated into mainstream economic models (Cross et al., 2010).

3. Consumer Behaviour and Hysteresis – A Historical Overview

In Duesenberry's relative income consumption function (Duesenberry, 1948) and in the work of Franco Modigliani (Modigliani, 1949) it is shown that households tend to maintain the level of consumption, in the case of income reduction, the consumption patterns being subject to habit. Or in other words the highest level of past disposable income remains imprinted in consumers' memory thus determining their present consumption patterns.

The notion was also explored by Nicholas Georgescu-Roegen (Georgescu-Roegen, 1950), who raised the question whether the mapping of the indifference varieties does in fact depend on the economic experience of the individual that is whether the indifference varieties of the same individual could be perceived as an invariant element by the static theory. The evidence brought to sustain that they are not invariant refers to is that temporary experiences of an individual such as income or price changes leave noticeable traces when the previous conditions are restored.

The tests conducted by Brown revealed that in both cases of increase and decrease of income, consumer expenditure lagged behind inducing the idea that consumer demand was related to income or other cyclical variable. Brown explains that due to some inertia in their actions consumers fail to react promptly to income changes and referring also to the previous research conducted by Duesenberry and Modigliani actually uses the term "hysteresis", asserting that "the habits, customs, standards and levels associated with real consumption previously enjoyed become "impressed" on the human physiological and psychological systems and this produces an inertia or "hysteresis" in consumer behaviour" (Brown, 1952). Furthermore, Brown replaces the level of past disposable income present as variable in the work of Duesenberry and Modigliani with the previous real consumption actually experienced.

The notion (although not the actual term hysteresis) may also be found in several other works related to consumer behaviour theory, such as those of Haavelmo and von Weizsäcker, with Haavelmo resuming the problem by stating that past consumption should enter in the utility function (Elster, 1976).

Nicholas Georgescu-Roegen popularized the term “hysteresis” and presented an application to consumer behaviour in his work, *The Entropy Law and the Economic Process*, of 1971. Acknowledging that physical behaviour sometimes depends on past experience, Nicholas Georgescu-Roegen referred to the most widely known example of magnetic hysteresis to emphasize the important difference between physical hysteresis and history in the field of social sciences. One may find a great enough number of unmagnetized ferric metals in order to experimentally prove that elements sharing an identical past behave identically, but in order to formulate a law of magnetic hysteresis one should have also the opportunity to experiment with cases where there is no past history. But reaching the zero level of history in the case of social sciences proves impossible. Moreover, in the case of metals the traces of their past may be erased by demagnetization, while in other fields such concepts would raise impossible questions. In the case of consumer behaviour for instance the question is whether one may erase part of the human recent hysteresis, as with metals, in order to teach the individual to behave in a certain manner. The difficulties in assessing the hysteresis in human behaviour are easily illustrated by the individual consumer hysteresis. The continuous adaptation of individuals to fluctuating prices and incomes which alters consumer preferences is a generally accepted fact. The difficulties refer to the impossibility to know the effect of the last experience on consumer behaviour until it actually takes place that is when one observes the very thing intended to be predicted (Georgescu-Roegen, 1996).

4. Consumer Behaviour: The Impact of the Crisis

The financial crisis has impacted consumer behaviour determining consumers to become more economical, more attentive, and to weigh more carefully their options. The crisis is providing the frame for the emergence and development of a new type of consumers, more considered and more rational. The level of anxiety perceived by consumers has known considerable augmentation, leading to a reconsideration of their priorities concretized in the general reduction of spending, the postponement of high value purchases or the decrease in consumption of leisure and entertainment goods, and the decrease of impulse and indulgence purchases.

The situation is reflected by the results of the Nielsen Global Online Consumer Confidence Survey (2011), with the Global Confidence Index

declined in the second quarter of 2011 to 89, the lowest level in six quarters. The data for the second quarter of 2011 revealed that consumers have returned to a recessionary mindset, after a year of improving though still cautious spending. The spending intentions declined as well, only 27% (compared to 35% twelve months before) considered the present time as appropriate to buy the things wanted and needed.

Other studies (Euro RSCG Worldwide, 2010) proclaim the advent of a new type of consumers who perceive the recession as an opportunity to chase away their former consumption patterns and embrace instead a more considered approach. As the economic situation becomes more uncertain, it is only natural for consumers to become more rational. The new consumer turned away from overconsumption and mindless excess in order to take a more considered stance to spending. Moreover, a vast majority of respondents claim they would not go back to their previous consumption patterns should the economy recover.

Therefore, taking into account the phenomenon of hysteresis and considering its application to the issues raised in this paper, one may resume that in case the budget - restrained by the economic crisis - returns to the previous level the consumption patterns might not do the same or at least not at the same pace. The changes in consumption patterns caused by the budget limitations may be persistent, the restraints imposed by the economic crisis leaving visible traces. And it would be only rational to assume that to some degree the crisis has determined structural changes in consumer behaviour, given the unprecedented magnitude of the crisis.

In our opinion the external impact of the global economic crisis has indeed determine structural changes in the consumption patterns in almost all markets of the world – its magnitude and its already prolonged duration come to support this assertion. Furthermore, the vast mediatization of its effects and of the ubiquitous fear of a relapse adds to the already installed state of uncertainty, advising for caution and making rather improbable a sudden return to the old consumption patterns in the event of a return to the previous budgetary conditions.

5. Conclusions

We all noticed the changes occurred in consumer behaviour; they are obvious and undeniable natural consequences of an unfriendly economic

environment, dominated by uncertainty. The research conducted in this field has revealed that the crisis has determined the emergence of a new type of consumer, more attentive, more rational, and less prone to impulse behaviour; a consumer looking for substance, for meaning and purpose and determined to change their buying ways.

The concept of hysteresis has been successfully used to explain the behaviour of various economic systems and has been repeatedly recalled as far as consumer behaviour is concerned. It represents a memory effect, or in other words it induces the easy to relate to idea that previous experiences are persistent, impacting present consumption. This paper attempted at describing the concept of hysteresis, at presenting a list of its most consequential applications to economics and at evoking its actuality in the field of consumer behaviour given the current economic context. Natural to relate to at an intuitive level, the phenomenon of hysteresis can hardly be contested. Furthermore, the global crisis provides a generous ground for empirical testing which will, in our opinion, further the study and application of hysteresis to economic systems and especially to consumer behaviour.

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REDEFINING THE RELATIONSHIPS WITH CLIENTS DURING TIMES OF CRISES – A NECESSARY OR COMPULSORY FEATURE

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Abstract:

The purpose of this paper is to highlight the profound changes in markets as a consequence of globalization, increased competition, technology development, communication paths and the complexity of modern customer who made their presence felt, requiring a paradigm shift in the marketing theory. The objectives of the research are to analyze the relationship marketing that emphasizes the importance of cooperation between the various participants - suppliers, employees, distributors - in order to provide an optimal value to the target customers. The expected results are aiming the transition from theory to practice, from rigidity to flexibility of Romanian companies.

Key words: consumer, business environment, change, client, crises.

JEL classification: D12, D22, D4.

1. Introduction

Currently, the business world is undergoing a period of profound changes of the market, the old answers do no longer match new realities. Tom Peters says that, in this world of chaos, successful companies are those that do not prove a great resistance to change and accept its inevitable occurrence.

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The main agents of change for business are customers. They require it to re-design, to adapt continuously, to increase the level of performance offered, they are actually making it highly dynamic. Companies that do not deal in an effective manner with changes that customers require do not have many chances to resist, because customers are those who hold power.

The effects of globalization, stiff competition, technology development, communication routes and distribution and the complexity of modern customer have made their presence felt, marking a significant mutation of marketing theory paradigm. Relational marketing emphasizes the importance of the cooperation between the different participants, suppliers, distributors and employees in order to provide an optimal customer target value.

2. The role and importance of the customer in the business

As customers, modern consumers are part of a universe that is expanding through uninterrupted new offers, they enjoyed previously unimaginable opportunities, every minute are bombarded with thousands of adverts and all sorts of insistent approaches. The current crisis creates an excess of goods, the entrepreneurs must find new consumers for categories always improved of products and services increasingly specialized.

After the shock received by the customer on power loss, firms must awake to reality. They have finally agreed that their existence is in the hands of customers, leading to sales and ultimately profits. Some have understood very late what Peter Drucker had said many years ago: "the only profit center is represented by the client". There is no doubt that in the current circumstances, any business that ignores the interests of the client, may not last. So it becomes evident the need for in-depth knowledge of the new consumer and its behavior.

The consumer is now more educated and more informed, developments in technology being the trigger of communication revolution we are witnessing. (according to some statistics, people in the urban environment are exposed to 3,000-6,000 advertising messages per day, depending on the country). Godin (2004)

- The consumer today is more intelligent and usually knows what is in its interest. Brian Tracy confirms the above, saying: "the customer always

acts in such a way as to satisfy the interests and seeking to obtain the highest quantity and quality, the best at the lowest price" (Tracy, 2003). Thus, they try to increase so to maximize the benefits from an acquisition and to reduce to a minimum the costs or expenses incurred.

- Current Consumer is less demanding in terms of quality and more sophisticated in the purchase process. Jack Welch at General Electric has synthesized perfectly the importance of quality and its benefits: "quality is the best guarantee of the loyalty of our customers, the strongest defense against foreign competition and the only way to sustainable and sustained earnings growth."

- Current Consumer is becoming increasingly squeamish, has increasing claims, taking advantage of the existence of a large number of vendors who try to satisfy all needs.

Current Consumer is increasingly sensitive to prices, globalization, Internet extreme competition and shaping markets, policies and business activity of firms. Many firms have established production areas which ensure lower costs. Consumers take advantage of the current context, quality and low price, firms must "sooner or later, respond to this request (Werner and Weiss, 2004).

Kotler claims that in this era, the firms get lower prices, but "you cannot build a viable business based only on discount prices. And the quality is required so that the client feel that makes a purchase based not only on price but also on value" (Kotler, 2004).

Current Consumer has increasingly less time available, the whole economy relying on customers' desire to have things they want faster, there is a direct relationship between the speed with which a company serves its customers and how they perceive the product or service. The speed in service providing offers companies a competitive advantage in almost any field.

Current Consumer is more egocentric and selfish. Philip Kotler argues that many of the customers have developed such an individuality that will be considered and treated more differently than everyone else (Kotler, 2004). This focus on the ego of consumers provides marketing people a competitive opportunity to offer them products and services tailored to the individual, and with a degree of emotional involvement and expression of status and personality of the individual, based on the understanding that every customer is unique and wants to be treated in a unique and original way.

Consumers are less and less loyal, the long-term success of a business is conditioned by the existence of a growing number of loyal customers, "retaining a customer requires as much skill as winning a customer" (Kotler, 2004). In order to remain in the market, companies must find ways to more effective marketing to build long term relationships with customers.

The consumer is more difficult to be influenced advertising, since he is accustomed with the rules of the game of marketing, the principles and even the techniques of marketing and advertising professionals use to persuade consumers to buy certain products (Iliescu and Petre, 2004) . Today few advertisers shall make it possible to ignore the fact that the only opinion that matters is that of the consumer, Leo Burnett said, in this sense, his younger colleague: "If you cannot turn yourselves in consumers, you may leave advertising industry" (Steel, 2005).

- The consumer is more interested in environmental issues that may affect one's health; the percentage of "ecologist consumers" that actually selects the products according to ecological criteria is increasing (Cave, 2005).
- We live in an economy, an economy in which the consumer was crowned as the King of the market. The ratio between the power companies and the consumer is today reversed or at least balanced firms are now dependent on the clients and not vice versa.

3. The need for client-orientation of the Romanian companies

Although it is known Francis Bacon's dictum: "knowledge is power", few Romanian firms will work to know in depth, their market and customers, it will still pass some time until market research will be something typical for any business, small or large. Romanian managers do not seem very concerned about understanding the ever-changing behavior of consumers, to improve their level of knowledge about consumers. They do not seem to understand that today's customers are not thinking like they used to five or ten years ago.

Companies best suited to market requirements are those that are aware of the expectations and satisfaction of customers, interact with them, they are committed towards customers and comply with them. These companies may have a feature that is missing in many Romanian companies: to think as consumers think of their products. They always try to think as if they were themselves consumers. There is even a witticism in which says that once you

enter a business with a will, you have to act more likely as your client than as yourself. These companies do not ever forget that the decisions consumers take when purchasing, all power is from them, so the only opinion that matters is that of the consumers.

It is also apparent from those companies for which success means to be one step ahead of the consumer, to anticipate their movements. The managers of these firms are thinking permanently what the client wants in the future, over the next few weeks, months, or more than two years. Such an approach would prove to be vital to any Romanian firm in the new context.

As the market makes the rules, businesses are dependent on the clients, who must receive the best treatment that a firm can offer. Romanian companies should start to treat each customer as if it were the only one that they have to treat, that is with respect and seriousness. Commitment to serve customers in a perfect manner will prove the only and best way to ensure long-term success for companies in Romania.

Possession of a customer is a function that must be met by all of the companies, not just the marketing department. This explains the fact that 50% of Japanese firms don't have a marketing department, and 90% of them have no special compartment for marketing research.

Customer-orientation mentality on the part of all the employees of a firm does not appear by itself; it must be planned, implemented, and rewarded. Unfortunately, few Romanian companies are investing in professional training programs to create an organizational culture focused on customer service. Even more so now, in the crisis conditions, when the battle cannot be won only by means of a strategy based only on the best price, firms must focus on retention through high-quality services.

For a firm, being close to the customer is to adopt an attitude of openness and sincere understanding of its needs and desires. Treating each customer with empathy and sensitivity is always positive for businesses. Customer oriented organization gives them the opportunity to express their views and grievances. When customers talk, firms should listen to. Unfortunately, many Romanian businesses do not listen and do not care about their opinions, have gained a bad reputation. In the current environment, to know what customers think, what they want, will become a Romanian visa requirement for any company. To listen to customers and understand them will be the first thing that Romanian firms should do (attraction, but mostly

the default retention, the success of any business depends on it). The way they react when Romanian companies are facing complaints will be decisive for their success or failure. Currently, Romanian firms are known for a tendency to react negatively, rather than receive complaints from customers. The irony is that those disgruntled buyers, but whose complaints have been heard and resolved, often become more loyal than those who have expressed no dissatisfaction. Today any company oriented to the customer must examine periodically the satisfaction of the consumer and to set goals to improve it. It happens often in Romania, where the firm has a comfortable position in the market and a good image among customers; it shows a false sense of security. If these firms do not learn how they can better cater to customers, unless it is permanently adapted to market requirements and are not always striving to exceed the expectations of consumers, they may, in the future lose their privileged position.

Orientation towards the client requires moving the Centre of gravity of the communication process from the product to the consumer. It is amazing that so few Romanian firms (large firms even with professional marketing departments) do not understand the need for this ad in their mutations. The majority of marketing messages made by Romanian companies, say too much about them and focus almost entirely on what the company offers; they the client as a simple consumer of the products they supply, instead of focusing on the benefits potential customers can gain if they choose to accept the offer of that company.

4. The need to redefine the relations with customers

Lack of concern for customers or for the creation and maintenance of deep relationships with consumers was evident and revolting in most companies in Romania, in the period after 1990. While sales and profits went too (competition being relatively low, incomparably less than in developed countries, high levels of involuntary consumption), few firms have raised the question of the development of long-term relations with customers. For many years, Romanian firms were being targeted rather to maximize profits on short-terms, focused on the collection of course immediately and thus, overlooking the value in the perspective of a customer.

Unfortunately for many Romanian owners, the profit was even more important than the health or safety of the people. The numerous cases reported by the media, marketing of products with expired validity terms, manufacture of products under unsanitary conditions, the use of outdated equipment in the fun parks, distribution of food suspected to be infested with viruses, have eroded consumer confidence. So, it is no wonder that today, Romanian businesses seem to suffer from the consumers' perception that their owners are indolent, greedy and indifferent to the interests of the customers, employees, and even firms and their interests in the long term. There is a strong current of suspicion and mistrust of consumers towards environmental practices in Romania.

The most important Romanian companies who want to build lasting relationships with customers focus on honesty and integrity. In business, trust is an essential element, glue any relationships. If there is no trust, a relationship cannot exist, and the long-term success of a company is virtually impossible. In almost every area, companies have the most reliable and highest profits. Marketing studies have shown that, today, consumers tend to support businesses they trust.

In Romania, many companies that are bankrupt, and the growing number of those who are agonizing are eloquent examples of behaviors that have abused the confidence of consumers in exchange of short-term profits. Referring generally to such behavior, Philip Kotler compared the owners of such companies with some vampires, which emptied the blood marks, and left them without life, humble themselves, customers are dust and powder for companies focused on short-term benefits; such companies commit the acts of suicide of firms through self-punishment - and by design brands. Romanian firms have made the mistake of considering that once granted confidence by customers, the latter was granted forever and began to be almost complacent about the mediocrity (several new mentality to "leave that goes and so") or worse, as we mentioned above, have begun to take advantage of the confidence that had been granted at the beginning when such companies were high.

The owners of the Romanian companies who do not comply with the customers, forgetting the old saying "you get respect if you show respect" seek to rapidly enrich on behalf of consumers. Those who still have an arrogant attitude towards customers (and somewhere a naive vision of what it means to

a client today) like: "if I sell they will come" must make rapid changes for this concept is far from helping to build viable relationships with consumers.

A drop in consumer confidence was sharpened against the habit of Romanian to make all sorts of valuable promises to customers, without coverage in reality. Companies were not aware that as soon as it is launched on the market, everything they do, everything they say is analyzed, reviewed, put under magnifying glass by customers. Today promises of firms in our country do no longer enjoy the popularity and they are even viewed with skepticism or doubt. So, they have to be careful what they promise, because repeated disappointments of consumer turn to anger and no one should underestimate the strength of an angry customer.

Customer dissatisfaction produces lasting damage by undermining the existence of firms, any dealings with them. For creating quality relationships with their customers and keeping them for a long time, Romanian firms must learn to respect each promise they make. They are required to prove everything they say, so they should never make promises that are not able to honor them. This is the only way that they can form a clientele. In order not to undermine confidence in the company products, there must be a balance between the "brand promise", the quality and service that is "effective" brand experience

All this set of factors caused the Romanian firms to operate in an environment that is often hostile, it is unlikely that they are entrusted with confidence. Sometimes because of the local and central media approach which has sanctioned behaviors likely to affect the interests of consumers.

Now when things have changed, in terms of competition we can witness an increase of interest paid to consumer behavior and, in particular, to the phenomenon of turning clients more loyal. For turning clients more loyal – forming a stable clientele - the relationship with customers should be cultivated. Someone said that this is somewhat similar to the cultivation of the Earth by digging plants, watering and dedicating yourself to take care of the plants and then harvest the fruits, a work that requires continuous effort and concentration. Any interruption in the process can produce losses, development of relations requires patience, a lot of attention, involvement and dedication time. Romanian firms preferred instead of cultivating client relationships, increase investment in advertising, to manipulate and earn a customer.

5. The relationship between Romanian companies and their customers

The level of satisfaction offered by the Romanian companies to consumers is not very high. This explains why when new, more powerful competitors arise, local firms are losing many customers at the expense of new competitors. The Romanian consumer loyalty towards indigenous products doesn't record highs. The explanation is given by the fact that many employers believed they will achieve business success by maximizing profits only.

Very often Romanian owners have in mind only the criterion of low price when it comes to the choice of suppliers of raw materials and are not hesitating to change suppliers whenever it appears an offer more advantageous from the point of view of quality, even if the price is lower. This makes the product does not have any more the promised quality, depending on the quality of the raw material. To these are added the concept of wage policy, attracting employees' wages reduced or a weak high staff fluctuation.

Romanian firms still in this situation must give up such unhealthy concepts, specialists providing that "a company that aims to make only short-term profit, will not win anything on a long term basis, for the greatest profit is given by repeated sales, and in these companies there will be no repeated sales". Getting feedback from the client, improving products and services, lack of flaws are things that any company would need to undertake in order to achieve a high profit.

To survive, indigenous companies do not have any other chance than to do their best to please customers. "A satisfied customer is the foundation of any successful business.

At the same time, firms that do not consider the quality as its main priority, will fail the high levels of customer satisfaction in the current conjuncture. As today's quality is defined by customer, and the Romanian consumers today become more educated in this respect, the approach that any firm should have towards maximum quality should start by understanding the needs and expectations of consumers of products manufactured by them. The next step would be to give consumers more than they expect, to make an effort to give the product changed and thus to gain an advantage in the minds of customers. Introducing total quality Management systems is recommended,

bringing increasing customer satisfaction by improving quality. Incidentally, today, without the implementation of total quality Management programs, firms must pray that all firms competing to be incompetent (Sagrove, 2000).

The obsessive attention to quality of products should be added and special attention should be paid to services provided to customers. The quality of the services offered is a problem for companies in Romania, its solving will prove vital for the success of any of them. As people speak only of two types of services: the exceptional and the bad, it is obvious the direction to which firms in this area must move: to provide flawless, high class products and services, which attract and gain customers' faith. In Romania one cannot hear and see that too often, companies are proposing to achieve excellence, to become champions in the field of services.

There is a need to develop systems that companies use effectively to attract the emotional involvement of every employee in providing full satisfaction to the customers. If in the West many firms offer employees bonuses depending on the score, the criterion being customer's satisfaction, unfortunately in Romania there are few such companies, which have provided companies with incentives for employees to treat particularly well the client.

If they exist, employees would involve more and would discard behaviors and so the rumors encountered among employees, such as: "what do I care if the customer is satisfied with me? I didn't win anything "The current client is no longer the timid person in the early 90s that accepts any behavior on the part of employees in order to have a product that is needed or wanted. Often the client is dominated by emotions to their purchase decision, and a warm and friendly behavior of the person who provides the product can influence the decision and even faithfulness. The existence of superior strategies for customer service can provide firms an advantage in relation to the competition. Romanian consumers today, demanding and vigilant do no longer tolerate products that you want, and leave the service disabled, inappropriate. They expect the companies raising standards of goods and services that it provides. This may be the key to achieve a significant competitive advantage and long-term success in business. Process improvement should be seen by firms as a contest without the Romanian line.

The tragedy is that many employers are not Romanians in running a normal evaluation, realistic and objective of their companies, their products

and services. In Romania are arrogant, too many patrons who consider that do not need to know the opinion of clients on their performance.

How long time, Romanian firms have treated customers with the superiority of the dominant positions of strength and power, many customers have the Romanians gave to cry, convinced that they would not have any chance to be taken into account, that the firm will do little or nothing to fix the problem reported, or fear they will not be treated with due respect. Even when policemen's idea, as true that Romanian firms are often negative reactions when faced with complaints of dissatisfaction on the part of customers attitude as blunt and the unfortunate. With view to this conviction, as a result of the lack of dialogue with customers, Steven Covey emphasizes the importance of listening in building a relationship with consumers: "to let your ear listen requires patience, open and sincere desire to understand. When customers have a real problem and you listen with the sincere desire to understand, you will be astounded how fast they open to you. They can hardly wait to reveal their feelings. And you have to make them feel that after that are not judged, they will not be laughed at and will benefit from the same deference" (Covey, 2000).

Therefore, Romanian firms should ask customers whether, in their opinion, they could change anything or add anything for a better satisfaction. It may be an open discussion on the acceptance of a client and with constructive criticism.

According to the Romanian company, the customer is not right, but, in the current context, such attitudes like: "we have quite a lot to work even without searching for other complaints" should give up, which can lead to bankruptcy in the longer term. The slogan "when customers talk, Whirlpool listens" was effective and brought the company success. If they want to succeed and become the best in their field of activity, Romanian firms must learn to use it constructive feedback from customers and to sacrifice hubris, vanity.

The companies will accept faster feedback received from customers and suggestions will be put into practice, for becoming more successful. And once you attained a higher degree of satisfaction of clients you will register and increase the loyalty of customers. Marketing theory has defined several tools to track and measure customers' satisfaction. Romanian firms should acquire several methods to analyze the satisfaction they offer to customers.

From practical experience of firms developed abroad we list on the most effective: polls, gathering suggestions and complaints, the fictitious clients etc. No company in Romania would have to ignore customers.

6. Conclusions

Until yesterday ignored, the management relationship with customers has become a priority for everyone, more than ever, and the ability to develop personalized relationships with customers is crucial today, is the key to the future of the company. Creating relationships with customers based on their value and satisfaction is the very essence of the thinking and practice of modern marketing.

Romanian firms need a revolution in the way they think about business and marketing process in their effort to decrease the distance that separates them from the European firms.

The last decades have recognized market orientation to the client as a new philosophy of business. Many Romanian companies are for a long time on the road which requires a transition from being product-oriented to being marketing-oriented. However, unfortunately, in Romania, plenty of companies still witness what Theodor Levitt called marketing myopia, demonstrating an exaggerated concentration on the product, to the detriment of consumers' needs, the mistake that the well-known author described as: "too much looking in the mirror instead of looking out of the window".

To succeed, therefore, in the strong competitive environment of contemporary Romanian market, firms must be intensely focused on customers, luring him and then keeping them and helping them to grow by providing higher values. What successful businesses have in common today, in addition to the passion with which they are committed to understanding and meeting the needs of target customers on the market, is the ability of leaders to motivate all employees to contribute to the building of lasting relationships with customers by providing a high degree of value. Tom Peters and Robert Waterman, in their search of excellence, *Lessons from the best managed companies in America* (Meteor Press Publishing House, 2011, p 123) identify approaching reviews as one of the eight factors assuring the success of the company.

As long as customers on the domestic market are almost as demanding as those of developed markets, satisfying their needs and cementing a relationship with them are the inevitable existence of human resources capable of change, adaptability, creativity.

Within the scope of current affairs, companies operate in a world of relationships. Normally, to have good relations and long-term customers, Romanian firms must first found relationships or partnerships with employees; build a team with them with a view to customer satisfaction. The creation of such mutually beneficial alliances or partnerships will be the key to success for any company in Romania. Acting in an environment that emphasizes more creativity and innovation will be very hard for companies to gain an advantage of Romanian competition unless they invest to training of employees for training and professional development.

The current economy requires significant structural changes in terms of marketing and how to do business, mainly from the passing from predictability to unpredictability, flexibility, rigidity in accepting the need for certainty of uncertainty. The only thing that remains constant is change.

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THE ROLE OF LEADERSHIP IN PROJECT MANAGEMENT

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Abstract

The purpose of the present research paper is to highlight and go deeply into the role and manner of action of project management in carrying out the position of leader of the project, by taking into consideration the advantages which the practice of leadership carries, through the influence exerted over the project team in order to conduct actions towards accomplishing the specific and general objectives of the project. The present research is a theoretical one and is aimed to specialists and economic organisations interested in developing their own business, which is to be realised with the help of the human resources, as the main factor generating the expected effects.

Key words: *leadership, project, project management.*

JEL classification: *M21*

The reality of today's world demonstrates the fact that the only thing that is certain is that nothing is certain, thus change becoming the key word in the life and activity of each unit – socio-economic system. From a general economic point of view, change is reflected in the globalisation processes of business and of the internationalization of companies, whose emergence has been helped and empowered by processes like the transition towards the society, the company and the management based on knowledge; the revolutions in the information technology and communications field; the liberalization of international exchanges by foreign direct investment, international trade, international monetary-financial relations, the circulation of labour force and of information, etc. Between these evolutionary

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coordinates, characterised by the growth in the volatility of the business environment and the intensification of competition on the global market, resorting to projects, as tools of effective and efficient management, becomes more and more necessary.

One can notice an intensification of the preoccupations for the development of the human side of management worldwide, which widely depends on the talent, imagination and the capacity of synthesis and analysis of the manager, as well as on the inborn qualities of the leader. If there has ever existed a moment in history when a global strategic perspective of leadership was necessary, not only for a few people in managing positions, but also for any team or group leader, no matter the domain of activity, this is the moment. Warren G. Bennis și Burt Nanus in "Leaders: the strategies for taking charge" asserted that leadership is the endorsement behind successful organisations and "to create vital and viable, leadership is necessary to help them develop a new vision over what they may become, then make them work and finally help them materialise the vision. The new leader is the one who encourages people to take action, who transforms supporters into leaders and who can transform leaders into agents of change".

In specialised literature there are few books that describe in a direct and committed way the effect of using leadership in the practice of project management. From the existing bibliographical studies we can notice that this issue has not been dealt with in a direct and insistent way from the perspective of the importance of leadership in project management in particular, in view of the efficiency and effectiveness of the actions taken by the manager, the leader of the project team respectively.

The topic of the present research is contemporary, especially in the economic, political and social context of our days. It is well known that management does not only refer to economic organisations, but to any economic-social system that functions according to the principle of self adjusting. A correlation applied to an element of the system generates chain reactions in all the system, modifying its structure, relationships, strategic objectives, necessary resources and finally the result in the macrosystem in which it evolves. Thus, self-adjusting in and through management is essential.

Work on each project takes place in a team that is created especially for this, so that conducting a project always implies team management too. The leader is the one who sets the strategic direction of the organisation, through the vision that he has over the future and then elaborates and puts the

strategy into practice. Then, the leader lets the team know the direction, resorting to the emotions, needs and values of the team members. For the message transmitted by the leader to be understood and believed by the team, the leader needs to be an honest person and with a good reputation in front of the members.

Reflecting on the economic, political and social situation around us, it is becoming more and more necessary in all domains to have strong leaders and managers, able to bring about change and more than that to determine others to follow them. If someone does not understand himself, he can not guess the impact over the others. A good manager, and especially a good leader, must learn to live and manage with diversity. In order to succeed, he must take his time and look carefully at other people, understand and help them to develop. Most managers concentrate on achieving goals and do not have time to understand and communicate with the members of the team. In the short run, they manage to make big profits but, in the long run they lose the talents and the effects will be felt in the profitability of the business.

That is why there appears the need to approach leadership, known as the process of influencing the activity of another person, by achieving the goals of the organisation. Leadership is a little more than authority or power. It entails a certain degree of voluntary support from the members of the group. The leaders do not lead in a simple manner, by giving orders, but by persuasion, motivation and empowerment. They identify and win the involvement of the team for a stimulating or challenging vision. Leaders do not manage individual performance, but group performance.

In modern organisations, to make the activity more effective, to successfully manage the projects and implement them, managers use methods, techniques and practices specific of management and especially of project management. This way, one can notice the growth in the preoccupation for this domain both at a national and international level.

Like in any organisation or work process, in the case of projects, the manager is the engine that brings about change, coordinates and controls the organisation. He is responsible for creating the environment necessary to developing activities with the goal of fulfilling the objectives as soon as possible, with few resources and in optimal conditions. Managers take action to achieve objectives through the members of the organisation. The managers, who have a clear vision over the importance of the human factor and take decisions intended for ensuring the complete use of the staff's performances,

prove their leader qualities. Their ability to know the people's personality is fundamental to the activity of any manager.

In general, theory admits that leadership is the result of integrating four processes: building trust among the people involved; setting some clear goals for the people to adhere to; the existence of participative decisional processes; strong individual and group motivation. The faulty evolution of the team, due to inadequate leadership of the project manager - can find its origins in: the lack of communication or faulty communication; issues related to assuming and manifesting authority; issues related to the relationships among the team members; deficiencies related to knowing and applying the managerial functions and roles.

Leadership is based on team spirit, communication and motivation the team. The leaders act to make things happen by knowing the objectives and by realising a plan by which the objectives can be fulfilled, building a united team to achieve the objectives and, not only that, each member of the team must be motivated to do his best. To make the best team, the leader needs to know himself very well, to know his weak and strong points.

From an organisational point of view, the results and the efficiency of the activities widely depend on the manager. A manager needs to take into account the following aspects: organising and planning activities, communicating, time management, improving relationships with employees and co-workers, delegation, modernising the managerial tools, the ergonomic organisation of the labour process and ethical managerial responsibilities. These represent starting points in the present research paper. In order to integrate all these in the thinking and actions of the manager in general and of the project manager in particular, we consider the introduction of the leadership issue over project managers to be essential. We consider that the main argument in favour of such an approach is represented by the correlation of the leadership dynamics with the present state of the organisational changes and with the evolution of approaching management.

This research comes as a result to the numerous fast changes in the national and international business environment, which determine fundamental changes with a strong impact over organisations. In order to cope with the daily challenges, the organisations need leaders to guide and influence the employees so as to co-work in the direction of its survival and its success. Thus, there are frequent opportunities and dangers for the manifestation of efficient and successful leadership, and in this context it is

necessary to have leaders who accept and suggest change, concretely by initiating projects that harmonise with the organisational environment in which the company is located. In this context, I consider that the topic of the present paper is a useful and modern subject both for theoreticians and practitioners.

Once the issue of the research is identified, one looks for the solutions which both theory and practice has offerered up to the present day. Analysing the works in the field of general management and going deep into the topic of the research, we have noticed that the literature up to the present doesn't approach directly and in the same manner the aspect analysed in the present research paper. A first aspect that is analysed is leadership, which targets the process of influencing the supporters, respectively the team that the leader works with to achieve their common and organisational objectives. A specific characteristic of the leaders is also the one that demonstrates that he is the person unanimously accepted and chosen from the team, due to the qualities, the charisma, the vision that he shares and inspires to the others; a second aspect is change, regarded as a necessity in the present context and more exactly in the external environment of the organisation, which is ever more turbulent, more volatile and more uncertain. In the mids of this uncertainty that we all fight every day, it is obvious and necessary that strong leaders emerge, leaders who are able to manage and control difficult situations. This need is noticed in all domains, starting with the basic unit of society - the family, continuing with the circle of friends, going further to the highest structures of the society; the third aspect is represented by the projects, as means of putting into practice the changes inside the organisations. Knowing the importance of using project management from the perspective of the elements that it is made up of and which promote it, more exactly knowing the stages that the project undergoes from identifying the need for change in order for the organisation to adjust to the external environment, the essential role of the project manager who needs to collect and manage all the resources at his disposal, to set the general and individual goals with his team, to the implementation and evaluation after the implementation, so as the change might meet the expected results, we consider especially necessary to introduce leadership in managing projects due to the advantages it can bring about for the maximisation of the results. Performance represents the degree to which an organisation manages to satisfy both the requirements of the internal environment (achieving the goals, effective management of the resources,

satisfaction and suitable motivation of the employees, etc) and the requirements of the external environment (satisfying the needs of the clients, the interests of the stakeholders, the business environment, etc), by an optimal combination between effectiveness and efficiency. Without an adequate management, one cannot talk about performance, thus effectiveness reflects what is done in relation to what is proposed while efficiency reflects the way in which what is proposed is put into practice.

The theme of the research paper approaches a current field, both for theoreticians, by increased attention given to studying leadership in projects, due to the positive impact over the human race, and for practitioners who, due to the frequent changes on the market, must find the best, most suitable and recent methods to adapt to concrete situations, not only for the survival of the company, but also for obtaining superior performance.

The study of leadership as a process of influence manifested by a person over other people in order to achieve certain objectives was, is and will be an extremely interesting subject due to the central point around which it revolves, namely – the human being.

In such a vast and complex field like the process of influencing the human race in organisations, leadership respectively, we cannot say that we have exhausted the subject, but any moment there can appear new ideas, opinions and suggestions to improve the field, all of them with the purpose of obtaining performance in the organisation, and this is in accordance with the attitude to progress and development of all those involved in a way or another.

An incursion in specialised works has been useful for understanding the various approaches and faces of the field of management, from which the concept of leadership has been derived and around which the concepts of change and projects have been approached, concepts that are frequently encountered in all domains and at all levels.

In the beginning, when management emerged, practical activity was based on the talent, intuition, experience and charm of the leader, but in time, there have appeared changes over the perception and understanding of the concepts specific of the field. Thus, due to the fact that managers have started to use new methods, techniques and procedures that have proven their efficiency in the managerial practice, a new stage in managerial thinking has appeared, by which was emphasised the fact that managers can be formed by means of training courses, not being constrained by certain native qualities.

Due to the predictions of the specialists in the field, according to whom richness and power in the future will mainly come from intangible intellectual resources, from the knowledge capital respectively, we consider it to be topical and important to approach leadership due to the stress in two directions, namely change and the human resources of the organisations, without which one cannot speak of performance.

Leadership is tightly linked to the personality of the leader, to his ability to influence, to generate interest, expectations, and emotions. This implies to design a vision, to set some goals, to determine some values and principles and much effort from all those involved. It is well known that a good leader stimulates creativity and initiative, emphasizes cohesion inside the group and can exploit the potential of those around him. It is imperiously necessary to build trust in the team members, by encouraging openness among its members, equal delegation of simple tasks, forming new leaders and encouraging initiative inside the organisation.

Thus, leadership is that interaction between two or more members of a group, that often implies influence manifested over the others, without using coercive measures, but by winning the trust, fulfilling the needs and expectations of the team members. The leaders are agents of change; they are the people who can affect the activity of other people by their actions.

In this dynamic context, with numerous changes, characterised by the growth in the economic importance of technologies, information, economic processes, human capital, capacities and competences of the organisation, each factor with a special importance in the management of knowledge, there will be modern leaders, who are expected to exploit the human potential, the potential of the organisation, so that all might lead to socio-economic growth, to the development of technologies and the satisfaction of the requirements of the beneficiaries.

Due to the frequent changes in the business environment, the management of change has become a priority for all managers, no matter the organisation. Change has become more frequent today than it used to be years ago. Organisations encounter daily new opportunities that force them to change. Change has become an important issue for managers, due to the changing nature of the business environment. Organisations have to cope with complexity, uncertainty and dynamism, all of them involving change. No matter the source, the specialists that are drawn in the process of organisational change, by realising various projects by which they intend to

predict and plan, influence and determine change. In order to be able to determine and guide change to the desired direction, specialists must possess certain personality features, experience, knowledge and abilities related to practice.

Managers and leaders are groups with a visible influence in creating and developing successful organisations and we consider that leadership is essential to the growth of competitiveness and future development. Organisations that adopt an approach that is strategic to the development of managers and leaders are more competitive on the business market. Reflecting to the economic, political and social situation around us, it is necessary to have strong managers and leaders, able to bring about change and determine the others to follow them.

Leadership is based on team spirit, communication and motivation inside the group. The manager as leader has the responsibility to build the vision of the team for the future and to build trust. For the leaders, communication is very important, because the goals that the group will achieve will be thus mentioned. Also, the main means of realising this are identified. Encountered under various forms, written or oral, communication is essential to any group, formal or informal, and is a very important process because the interactions between individuals are intense.

The organisational culture of the company can be the key to successful leadership. The foundation of effective leadership is laid on strong organisational culture, because organisational culture can ensure the creation of some strong and extended interpersonal relationships, the communication of common interests and values, reciprocal trust, etc. In order to have the necessary impact, it is important that leadership become an integrating part of organisational culture. Since human creativity and knowledge is supported by both formal and informal elements, we can consider that there is a solid foundation for successful management in the companies, supported by the specific elements of the organisational culture. As the companies reflect the ethics, values and principles of the people that manage them, that are of the leaders, the strong connexion between organisational culture and leadership is obvious.

We consider it to be topical and necessary to treat managerial leadership of projects, due to the importance of applying the principles of leadership not only in the vast context of organisations, but also in the case of projects, no matter the size, which leads to the intense exploitation of the

human factor and thus to obtaining the best results. Thus, managerial leadership refers to combining managerial practices with all the qualities and abilities expected from a leader, namely, trust, clarity, vision, discipline, coordination, which are essential to the process of leading an organised group.

After conducting the scientific research, we have noticed that something was missing in so far as the relationship between leadership and projects is concerned, and this has led to extending the issue of leadership to project managers. The faulty evolution of the team, due to the project manager's inadequate practice of leadership, may be generated by faulty communication inside the project team, or problems related to assuming and manifesting authority or problems related to the relationships among the team members, etc.

Nowadays, more and more companies have started to consider that project management is an indispensable approach for their survival in time, due to the permanent changes in all fields that they have to cope with. Lately, things have changed and company managers understand and use project management, understanding the tight link between the results and project management, thus allocating important amounts of money to these professional trainings. In project management, like in any managerial approach, there are instruments, techniques and processes, indispensable to its theoretic foundation and then to practice. Project management has extended to all economic activities, because it has proven its capacity to cope with the new tendencies manifested on a global scale.

Some researchers consider that projects are very hard to manage because they involve change and moreover, they involve the human nature or working with people, which may sometimes be very difficult. Although researchers have notices that people do not easily embrace change, project management seems to match a field of activity that permanently requires responsibility, flexibility, innovation, urgency and improvement.

Project management, as a theoretical as well as an applied field, has behavioural aspects because at its core there is the human being – without it, no project could be achieved regardless of extent and complexity.

Concerning the proper course of the project activities as well the organization activities, the project managers must be willing to operate it so that the firm's mainstream activity might not be affected within the framework of the company general recommendations, politics, procedures, rules and directives.

Project management represents one of the major challenges for its managers because it requires a wide range of skills and abilities in order to successfully achieve the change which the projects imply. A key factor to a great performance is the project manager's ability to integrate the human resource coming from various functional areas into one effective team that is to prove his leadership qualities. Therefore, in order to achieve the objectives and to get the expected results, the project manager must always refer to the people with whom he is working, to the tasks to be accomplished, to the available tools, to the organizational structure and, finally, to the ever-changing organizational environment.

Successful project leaders must not only be influential people, but they must also exert influence so as to acquire and maintain the commitment of others. So, metaphorically speaking, it is important to balance the two plates of a balance namely both the organizational side of the addressed issues and the human side with emphasis on the individuals working together to achieve tasks namely the use of leadership by project managers.

At the end of this part, we can conclude that this paper is the result of extensive scientific research of secondary sources, able to contribute to a small extent to the development of our society. All these presented here are trying to emphasize the importance of human resource within any action involving the development and progress of contemporary society.

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THE ECONOMIC AND SOCIAL IMPACT OF THE DEVELOPMENT OF E-BUSINESS APPLICATIONS

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Abstract

The world is facing an age of changing unseen before. The recession and the financial crisis which started in 2009 created a movement that reacted the international economic view. The worldwide economy is currently characterized by an increase in West, a change of power in East, including increasing risks everywhere and customers that are looking for the value. At the same time these decreases rushed the adoption of key technology- mobility, ,cloud' technology, artificial intelligence and social environment- which turns the economy and give rise to a new wave of obtaining prosperity, especially on the emerging market.

Keywords: *e-business, digital economy, BPR, ERP*

JEL Classification: *M15, M21, M10*

The economic growth and the technology are influencing each other. At present economic conditions are favorable for technology investments as far as the markets are increasing their demands for maintaining the profit and the advanced markets are searching for new ways to cut the costs and to stimulate the innovation. It becomes a vicious circle as the digital technologies encourage the profit and to meet the consumers' demands, education and vocational training also the efficiently use of the fund and resources- which leads to a big economic growth. The leaders must be conscious of these new tests that their companies are facing as long as the markets are making progresses very fast.

By this horizon are prefigured six important changes that the companies should take in consideration for the next five years:

- Global digital economy is growing up. The Internet started the third wave of the capital which is going to transform a lot of aspects of the global economic market-from the consumer's behavior to the new models of business. The mobility, the cloud technology, the artificial intelligence and the social environments sustain this change, which occurs, in the advanced economies but also in the ones that are developing. (Martin, et al., 2012)
- The industries are going through a digital transformation. As the result of maturation of the digital economy, companies belonging to a large vision have seen their business models getting rich as long as they are competing with similar forces of technology and globalization. In the next five years, many branches, including the technology, telecommunications, entertainment, media, banking activities, en gross shopping and the health system will continue to be redefined by using the information technology.
- The digital distribution can switch the roles. Taking account of the economy powers from East and the reposition of these, the companies with a wealthy capital from developing markets which are investing a lot in technology - often overtaking their counterparts from the expanded markets. Those who are leading developed economies will have to learn how to deal with this competitive attempt.
- The consumer of the emerging market is the main character. The rapid economy growth hand in hand with the growing populations and the wages levels too, are situating the emerging markets in the center of the developing strategies of the corporations. The customers of the emerging markets - including the consumers, business and governmental sectors by offering extraordinary opportunities for the west companies which can adapt to their needs.
- Businesses done swift. The global economic market which is in flux, charged by the fast growing economies and new technologies have accelerated the speed of the majority economic activities from the development of the products to the consumers' answer. The artificial intelligence in real-time and the predictive analyses will be necessary not only for a faster deciding system but also for facing the risks and the unexpected market opportunities.

- The companies are reorganizing for integrating the digital economy. For being able to carry on their activities in the global digital domain where the new rivals are unrestricted by thinking and rigid policies, tricky west companies, are coming off from the hierarchical model of making decisions and are heading for a system/network structure more like to the market and organic.

These changes are going to have particular implications for the corporations in the next years. The new researches are showing a series of imperatives for the corporations' leaders. For example, the executive directors should have a flexible and predictable strategy for the developing markets. At the same time, the methods for improving the data analyze should be taken in account for anticipating the rapid changes of the global economic market. Let's not forget that a world in constant move it's increasing the risk of the security breaches. The companies have to use high security methods for their activities. After all, as the emerging markets are taking wings, the companies mustn't lose sight of protecting the market share in the country of origin because the rivals will try to develop right there.

Components of Interest for E-Business

The strategy defines the interest area and the activities that should be known for achieving the business goals. The e-business strategy it's not an easy one, but fundamentally an e-business strategy will be managed by the market over - expansion and by the sales strategy. (Nanda & Khanna, 2011).

BPR - Business Process Reengineering is the rethinking and radical-fundamental redesign of business process for obtaining substantial improvements of the main performance indicators such as: cost, quality, the duration of a cycle production and pleasing the customer's demands.

ERP - Enterprise Resource Planning - is an accounting system for identifying and planning the resources of a company, for realizing, sending and calculating the customers' orders.

Business Process Reengineering (BPR)

Business Process Reengineering (BPR) is the fundamental rethinking and the radical redesign of the business process for obtaining round improvements in contemporary critical performance indicators such as: cost, quality, assured service and the reaction speed (Hammer & Champy, 1993).

The keywords of the BPR concept have the following meanings:

- The fundamental rethinking. When the BPR occurs, it's important to be asked the most basic questions about how the organization works.

The answers of the following questions should be found: why is the organization doing what it is doing and why it chooses to act in this way. These basic questions facilitate hypothesizes examination which underlie the way how the organizations operate.

- The radical redesign. BPR invites rather to identify the origin of their problems and requires their resolution in a superficial way than actually fix those problems. The power of modern information technology admits the radical redesign of the business processes.
- Dramatic improvements. The BPR goal is the quantum leaps achievement in performance. BPR it is not recommended to the organizations that do not need surface improvements or weaker performances.
- Business processes. BPR concentrates on business projects not on the activities. The redesigned processes should be value-added that are going to exceed the departmental borders.

Principles of BPR

- It concentrates on the clients and on generating better value for them;
- The employees should be involved and empowered to make decisions for improvement;
- The processes that do not bring plus value must be eliminated;
- BPR is supposed to focus on the people from the network and on the integration of related processes;
- The power exploitation of Information and Communication Technology (ICT) to avoid the supra-sophistication. The software tools should not replace the creative thinking;
- The critical analysis of the rules, regulations, practices and legislation in force.

The role of ICT in the BPR

The Information and Communication Technology is an essential element of BPR. An awareness of modern ICT capacity is essential because the redesign effort is prefigured with options for the radical redesign. Examples of technologies which allow the BPR include:

- Shared database. It allows the existence of information in several places at once and not sequential as it used to happen before the release of shared database.

- Telecommunications networks. These allow the organizations to be centralized and decentralized at the same time. The telecommunications networks enable to the affiliated offices the access to information and are thus empowered to serve better the clients than it would happen in the case of centralized control of operations.
- Decision support tools. These management tools of knowledge allow the decisions to make part of each attributions.
- Wireless data communication and portable computers. Allow the field staff to work independently of the office.
- Automatic identification and tracking technology. A technology like this one allows remote monitoring the goods and solving such a problem like fixing the place where the goods are. It is important the involvement of the employee in the redesign og new processes and the adoption of adequate solutions in the field of ICT.

Enterprise Resource Planning (ERP)

In the encyclopedia of the Internet it has been defined as: “*a system planner of the enterprise is an incorporated computer based on the application of administrating internal and external resources including tangible good, financial resources, human and material*”.

Practically, the resources planning of an enterprise combines some management functions into an integrated logical system and facilitates the flow of information for these functions. It is designed to automate and shape base processes of the organization into a centralized data base and it eliminates the need for systems which have no connection (Zota, 2009) between them and stored by various units of the organization.

Between 1960 and 1970 were maintained separated systems for functions or traditional departments like: sales, marketing, finance, public relations, manufacture and supply. These systems were often unsuitable, stored in different databases and demanded frequent updates. It was difficult to manage processes departments in fulfilling the functions. For example, payment and sales functions. The planning system of resources developed for replacing the islands of information by integrating these traditional business functions.

The success of the implementation of such a system has many advantages such as:

- The business consolidation and the improvement of the accuracy of information: The enterprise resources planning (ERP) is composed of different modules where a module is a component of the business. If the information is in a module like the receipt, it automatically updates the other modules that have no connection, for instance, the bills that have to be paid and the inventory. This update occurs in real-time, i.e. during the transaction. Thus, the information has to be entered only once at the beginning of the transaction, being eliminated the need for multiple entries of the same information. The probability of a duplicate or erroneous information has been minimized. The centralized structure of the data base also enables a better administration and better security means which minimizes the loss of sensitive data.
- Planning and management information system (MIS - Management Information System): Different decisions support tools such as planning and simulation engine functions as integral part of an enterprise resources planning, system which helps in the correct use of the human resources and materials. The constrained help based on planning supports the drafting of similar production schedules, thus improving its overall functioning of the installations and the equipment. As part of the management information system a planning resources system contains many standard and integral reports and a report which also produces ad-hoc reports, as how and when are required.
- The establishment of standard procedures. The enterprise resources planning system is based on the processes of international best practices which are adopted by the organization during the implementation. *“The departments are cleaned and they are ending with inefficient practices”*. Because of the top vision that is available upon management, the chances of theft, fraud and aging are reduced.
- Flexibility and technology. Thanks to the globalized environment where the production units, distribution centers and the offices of the organizations are in different countries but in an integrated manner the organization needs multi-

currency and multiple calculation models. These problems exist in the most resources planning systems, especially on the products offered by the first and second level of sellers. The vendors of this system adopt quickly the latest technologies from the centralized client server to the Internet. Unlike to the customized system, improvement of the latest technologies for a resources planning system is not complicated, but often assuming the adoption of packet services and patches.

Although the resources planning of an enterprise offers many advantages, its implementation necessitates a strategic decision involving significant resources (both financial and human), a correct evaluation and the redesign of a business process. There has to be a solid commitment from the leadership because a wrong implementation can lead to the bankruptcy of the company.

BPR or ERP?

Making a conclusion of the previous subchapters we notice that technological information has the role of the key factor for the successful implementation of BPR. Furthermore, it is asked the question if it makes sense to be directly implemented ERP and BPR by adopting the worldwide practices, contained in ERP packages.

This approach would avoid investing in the redesign of business processes which is costly, time consuming and often risky. Also, the design processes from BPR may not be the best.

On the other hand, is a big risk in this approach and if an ERP package is not properly chosen. The orientation of the process and the ownership will be missing to the employees which can lead to major difficulties of implementation.

The use of ICT Within Companies

Ten years ago, the corporations were the place where you had access to the best technologies. The companies were fast connections, computers, more powerful calculating machines, the latest software and better mobile devices. Their employees were aware of the fact that these tools, offered by the companies that they were active, were much stronger technologically than that they were owning at home.

However, in just a decade, this concept has been changed as the technology has become increasingly powerful, permissive and accessible to the general public.

The fast adoption of smartphones and tablets put the computing power into the hands of the consumers from all over the world. The cloud computing offers access to software tools which that once was impossible to reach. As well social media that connects friends, colleagues and people with same interests and aims that allows them to share their ideas, to create action groups and even to find new solutions to their common problems.

As a result, the new technologies and the tools that are used by these are adopted more and more, first in our everyday lives and often, they are involved in the business world as a result of the employee's needs and customers' demands. This is what we call nowadays "Consumerization of IT". As it shows (Russo, 2011) in essence "Consumerization of IT" refers to the people's expectations about how the technology should work in all the aspects of their lives, how they do business, to communicate with their friends, to search, to make acquisitions etc. To adapt, the companies have to adapt cloud computing, mobility and social media (Stoica, 2013).

This evolution has far-reaching ramifications, so most of the organizations have not fully realised the fact that both their customers and employees expect to do business anytime, anywhere and in anyway. However, the top companies understand that to be behind the curve of strategic technology use as (O'Leary, 2009) shows, not only puts their companies in competitive disadvantages but it also weakens the ability to interact and to strengthen relationships with the clients.

A Digital IQ research, done by PricewaterhouseCoopers company in 2011 and published at the end of January 2012, (PricewaterhouseCoopers, 2012) over 500 corporate executives in the United States confirm that we are in a fundamental transformation of the way in which information technology is used in the company and the market.

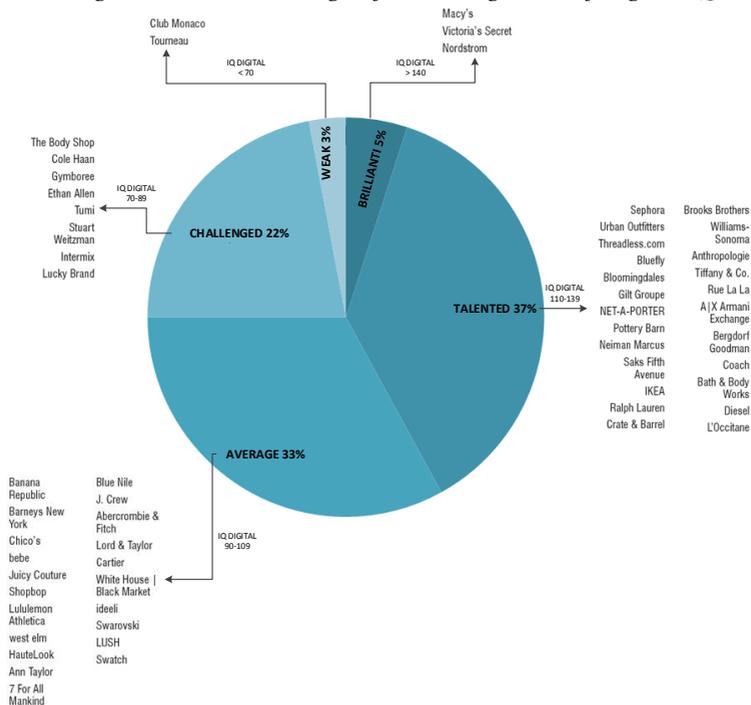
Whether we realize it or not, the organization and the development of the companies has totally changed. The processes and the relationships that usually remained inside the four walls of the company are now externalized through mobile devices in cloud computing and are accessible to participants in social media.

The four main tendencies of the aggressive adoption of cloud computing (both the private and the public zone) increased the mobility both for the employee and for the customer through the use of extensive and persistent social media for almost all layers of society with unprecedented access to information on any company based on an old-style organization to

remain behind in an alarming rhythm. Business must increase their digital IQ, now, or risk to remain behind for a long time after.

A study done by (Galloway & Guthrie, 2010) demonstrates us that the increase of digital IQ of your company, which is the way in which technologies and digital channels to meet the needs of customers and business partners, it is essential to take full advantages of the recent changes in the global digital economy. In fact, we find that many of the top performing organizations have taken these important tasks and we expect them to draw after more and more competitors as the world becomes increasingly digital, connected and mobile. In continuation of the study by (Galloway & Guthrie, 2010) followed by a study realized by (Galloway, 2011) on big brands, known all over the world as to digital IQ. A classification on this regard, we have exemplified in Figure 1.1.

Figure 1.1 – Percentage of marks / grades of digital IQ



Source: Digital IQ Index: Specialty Retail / L2 A Tink Tank for Digital Innovation

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**SOME INTERCULTURAL CONSIDERATIONS ON CORPORATE
SOCIAL RESPONSIBILITY – CASE STUDY: ROMANIA AND
HOFSTEDE'S CULTURAL DIMENSIONS**

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Abstract

Globalization is creating the need for new ways of understanding, managing and coping with culture differences. Corporations should take into account these differences when fundamenting their international strategies, even in regard to their business ethic and social responsibility goals. In this article we try to indicate some of the implications that intercultural factors can have on the companies actions regarding CSR.

Keywords: *corporate social responsibility, cultural dimensions, business ethics*

JEL classification: *M14*

1. Introduction

After the World War II a new era of business began. In the 1950's the power and size of corporations start to grow. We can observe a liberalisation of international trade, which can provide new opportunities for conquering new markets and economies of scale.

During the '60's and 70's some pressing social and environmental problems began to appear. The UN Conference in Stockholm and the World

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economic Forum are just some common action that was being taken, in order to manage this problems. Deregulations, end of welfare state and an even more present globalisation phenomena constitute the grounds for crises and uncertainties. In the 1990s: change of classical model of property rights and the explosion of tehnology innovations.

Globalisation is the new phenomena which affects all of our lifes. Through this we are exposed to different goods and servicies, to foreign capital and financial flows and to different ways of understanding things; in other words, we are facing, almost every day, people from different cultures, with a different mindset, with different values and norms, with different understanding of good and evil, of desirable and tabu behavior.

2. Sections

The concept of CSR has been used for over 60 years, but private firms would engage in philanthropic actions for centuries. Just think about the Fuggers, Andrew Carnegie, Cornelius Vanderbilt, John D. Rockefeller and many more. Yet, the concept of CSR has been interpreted in lots of ways by the scientific community, getting further away from philanthropy. More yet, some considered that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (Carroll, 1999).

Formal writings on the topic started in the 1950’s, in the U.S. One of the first to theorize this topic, the „father of CSR” (Carroll, 1999), Howard R. Bowen, considered „it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those line of action, which are desirable in terms of the objectives and values of our society” (Carroll, 1999). Of course, different societies have different objectives and value, corresponding with what we call “ours”.

Some years later, Keith Davis stated in an article that CSR refers to „businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”. He also established the “Iron Law of Responsibility”, which states that “social responsibilities of businessmen need to be commensurate with their social power” (Carroll, 1999).

Another contributor to the definition of CSR stated that “social responsibility in the final analysis implies a public posture toward society’s

economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms” (Frederick, 1960).

Some years later, Davis elaborated another approach of CSR: “the substance of social responsibility arises from concern for the ethical consequences of one’s acts as they might affect the interests of others” (Carroll, 1999).

The Committee for Economic Development stated that “ business functions by public consent and its basic purpose is to serve constructively the needs of society – to the satisfaction of society...Inasmuch as business exists to serve society, its future will depend on the quality of management’s response to the changing expectations of the public” (Carroll,1979). This changed the understanding of CSR to a societal approach.

The “three concentric circles” definition of social responsibility has its point of departure in a public-opinion survey. The inner circle included the basic responsibilities such as products, jobs and economic growth. The intermediate circle included the more sensitive responsibilities such as environment concerns, hiring, relations to employees and the basic expectations from the consumers, for example fair treatment. The outer circle included responsibilities concerned with more broad involvement in improving the social environment, for example poverty and urban blight (Carroll, 1999: 277). This position is supported by Kotler and Lee (Susan Vangedal, 2010) who wrote: “We all want a better world and are convinced that communities need corporate support and partnerships to help make that happen.”

Similar, Backman (1975) considered that “social responsibility usually refers to the objectives or motives that should be given weight by business in addition to those dealing with economic performance”. S. Prakash Sethi (1975) determines three different dimensions of corporate performance: “*social obligation* – corporate behaviour in response to market forces or legal constraints”, “*social responsibility* – bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations of performance” and “*social responsiveness* – adaptation of corporate behaviour to the social needs (Carroll, 1999).

The final change in approach came in the 1980s when CSR began to be approached from a stakeholder perspective. Of course, the fundamental assumption should be that “the business institution is the basic economic unit

in our society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit” (Carroll, 1979). In other words a responsible business “encompasses the economic, legal ethical and discretionary expectations” (later “voluntary or philanthropic”, 1983) of society.

Thomas M. Jones stated that CSR “is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract” (Carroll, 1999) and furthermore, that CSR is actually a process, a constantly work in progress.

In 1991 Carroll stated: “There is a natural fit between the idea of corporate social responsibility and an organisation’s stakeholders [...] The concept of stakeholder personalises social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation” (Kakabadse et al., 2005). In other words, a company’s commitment to CSR is today closely connected to the company’s core business and its stakeholders. (Susan Vangedal, 2010)

Phillip Kotler and Nancy Lee (Kotler & Lee, 2008) come with another classification of CSR understanding the “traditional approach” and the “new approach”. This division is based on the argument that companies’ perception of CSR has developed from being seen as fulfilling an obligation to be seen as a strategic tool. (Susan Vangedal, 2010).

Peter Drucker emphasized the relation between profitability and responsibility, considering even that “proper “social responsibility” of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth” (Susan Vangedal, 2010).

The concept of CSR was closely related, sometimes used interchangeably with other concepts like:

- a) Corporate social Responsiveness;
- b) Corporate citizenship - if individuals have morals, why shouldn’t organizations have. Joseph McGuire (1963) considered “the idea of social responsibilities supposes that the corporation has not only economic and legal obligation but also responsibilities to society which extend beyond these obligations”, so “business must act “justly” as a proper citizen should” (Carroll, 1999);
- c) Triple bottom line-audit. CSR should be more than what people say; more than attitude, beliefs-should be measurable. 3 P: People, Planet,

Profits (measuring that). Companies must satisfy their investors and generate profit, so for companies to engage in CSR it must contribute to its bottom-line;

- d) Corporate Accountability;
- e) Business ethics – principles that governs the way how people treat each other in an organizations: stakeholders, customers Corporate social performance;
- f) Sustainability – mostly ecologic;
- g) corporate strategy;

3. Sections

Even if working life and business are more and more global, the cultural background affects the behavior, relationship to others and to the environment, and our feelings of good and bad. There are different considerations regarding the significant factors that may help us classify cultures. Some of these dimensions have been put together in so-called cultural models. Edward Hall, one of the first scholars of intercultural aspects, considered that the most important are: monochronic and polychronic time orientation, high and low context communication and consideration regarding space: personal/physical.

Trompenaar's model analyzed national cultures from three perspectives: relationships with other people, relationship to the environment and the meaning of time.

Hofstede's model first included four dimensions of culture: power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity; later broadened this classification and added the fifth dimension - long-term orientation vs. short-term orientation (Hofstede, 2010) and now added the sixth dimension regarding happiness. Hofstede defines culture as being the “collective programming of the mind” which differentiate people from different groups. The model provides scales from 0 to 100 for 76 countries for each dimension, and each country has a position on each scale or index, relative to other countries (De Mooij & Hofstede 2002; De Mooij 2010).

The first cultural dimension he came up with was power distance, during the late 60s, when there were student revolts in the streets of Western Europe. They were condemning the situation in which hierarchies in institutions and organizations were being established. The attribution of power

to particular individuals is widely accepted in other cultures. Romania scores high on this dimension (score of 90) which means that people accept a hierarchical order in which everybody has a place and which needs no further justification (Hofstede.com).

Hofstede observed there were other aspects of cultural differences that were not explained by power distance, so he introduced a new dimension: uncertainty avoidance or the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these. Romania scores 90 on this dimension and thus has a very high preference for avoiding uncertainty. Countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. In these cultures there is an emotional need for rules (even if the rules never seem to work), people have an inner urge to be busy, innovation may be resisted, security is an important element in individual motivation.

Another dimension Hofstede introduced was the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We". Romania, with a score of 30 is considered a collectivistic society. This is manifest in a close long-term commitment to the member 'group', be that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount, and over-rides most other societal rules and regulations. In collectivist societies offence leads to shame and loss of face, employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion decisions take account of the employee's in-group, management is the management of groups.

Another dimension is Masculinity / Femininity. The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine).

A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organizational behavior. A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable.

Romania scores 42 on this dimension and is thus considered a relatively feminine society. In feminine countries the focus is on “working in order to live”, managers strive for consensus, people value equality, solidarity and quality in their working lives. The long term orientation dimension is closely related to the teachings of Confucius and can be interpreted as dealing with society’s search for virtue, the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view. While for Romania we don t have a result on this dimension, we may assume that the relatively new shift to capitalistic virtue isn't yet the norm for most Romanians (<http://geert-hofstede.com/romania.html>).

There are two main approaches in the field of moral philosophy: the deontological and the teleological theories. The first is “concerned with the inherent righteousness of a behavior or action, whereas teleological theories are concerned with the amount of good or bad embodied in the consequences of the behaviour or action” (Vitell et al., 1993).

The general theory of marketing ethics developed by Vitell and Hunt acknowledged the fact that “cultural norms affect perceived ethical situations, perceived alternatives, perceived consequences, deontological norms, probabilities of consequences, desirability of consequences and important of stakeholders” (Hunt, Vitell, 1986), but only later included how this happened.

So, lets see what would the propositions for the Romanian culture sound like, considering the founding regarding Hofstede's cultural dimension. As we mentioned above, Romania is considered to have a large *Power distance*. Hierarchy in an organization is seen as reflecting inherent inequalities, centralization is popular, subordinates expect to be told what to do and the ideal boss is expected to act autocratically without consulting subordinates. This should indicate “that a greater importance is given to both the (ethical) cues of superiors and more formal norms” (Vitell et al., 1993). In this case, we may assume that the acceptance of CSR depends, on a large scale, on the personal attitude of the superior on this subject, and that subordinates will “do as told”.

The dimension *Uncertainty Avoidance* has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. Romania scores high on this dimension as well. This may determine that

“business practitioners are more likely to be intolerant of any deviations from group/organizational norms” (Vitell et al, 1993). Or, in other words, “business practitioners in countries that are high in uncertainty avoidance will be more likely to consider formal professional, industry and organizational codes of ethics when forming their own deontological norms, than business practitioners in countries that are low in uncertainty avoidance (Vitell et al.). Still, there might be a particularity for Romania regarding this aspect: there are situations in which superiors, even if their questionable actions had negative consequences are still kept in place, just because there are no better ones, and, at least “we know this one”. On the other hand, volunteering and other unpaid activities for the public good is hard to implement, maybe as a consequence of formally imposed “voluntary activities” during the communism.

Regarding the dimension individualism-collectivism, Romania is considered a collectivistic society. In Individualist societies people are supposed to look after themselves and their direct family only. In collectivist societies people belong to ‘in groups’ that take care of them in exchange for loyalty. This could mean that in collectivist societies, business practitioners tend to be more preoccupied with the owner, stockholder, as well as with other employees and stakeholders. This means that ethical behaviour in this context implies not just economic performances, but also understanding of the specific needs of every individual. The “personal problem” is a widely recognized excuse Romanians used in order to get a free day. The society fosters strong relationships where everyone takes responsibility for fellow members of their group.

Masculinity-femininity dimension indicates what values that society propagates: does it encourage people to have competitive and to strive for material success, or does it define more overlapping social roles, where ambition and overachievement isn't the norm. Romania scores 42 on this dimension and is thus considered a relatively feminine society.

4. Conclusions

Twenty years ago it was commonly that just the shareholder and economic profits were of interest for the management. Nothing else mattered. Today, shareholders, customers, employees, government, communities matter. Of course, today there are legislations that contain more and more CSR and regulatory bodies, the media attention on companies ethical behavior is growing, there are activist group which act like watch dogs. On the other

hand, we speak today of SRI, indices for rating CSR performance (Dow Jones Sustainability Index, FTSE4Good Index), Global Reporting Initiative and growth in corporate reporting of CSR.

Globalization made the world flatter and intercultural approaches are needed in order to understand and behave accordingly. So, when talking about ethical behavior or CSR the understanding that one has, can vary a lot from one culture to another. In Romania, according to Hofstede's cultural dimension, we are talking about a rather collective, feminine society, with a high degree of uncertainty avoidance and a great power distance.

Strangely enough though, the concept of CSR isn't as well accepted and as often used by Romanian companies as one might think. It is rather a foreign, sometimes "exotic" approach, which was, at first, unthinkable for most managers. One explanation for this situation might be the view on the short run that is more persistent, than the long term approach. As such, the economic benefits one can obtain from CSR are often not taken into account. The future might teach them better...

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**THE ANALYSIS OF THE HEAVY METALS IN THE CORN
AGRICULTURAL ECOSYSTEM IN THE AXENTE SEVER-COPȘA
MICĂ AREA (SIBIU COUNTY)**

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Abstract

The invertebrates constitute important indicators in the appreciation of the soil. A first step in this respect is constituted by the analysis of the heavy metals in the corn fields in the Axente Sever and Copșa Mică Area. Methods of researching: collecting the samples in the soil by using the agricultural drill; the determination of the heavy metals by spectroscopy of atomic absorption, using the spectrometer of atomic absorption ContrAA 700. As a result of the researches the average concentration of lead and cadmium in the soil of the agricultural ecosystems from the studied area is still high.

Key words: *soil, heavy metal*

JEL classification: *Q01*

1. Introduction

Our researches are a part of a more ample study: “Researches regarding the biodiversity of the agricultural entomologic fauna in the soil of the corn culture, its importance upon the pedological ecological genesis and the economical ecology in the Sibiu County” and which final goal is to find a biologic index in order to express the equilibrium or non-equilibrium status between the invertebrates fauna useful for the ecological genesis of the soil

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and the pest one. We approached this theme because the soil is a dynamic vital system for the human activities and for maintaining the ecosystems. The main function of the soil is that it represents the fundament for practicing the agriculture in the main goal of assuring the food security and safety of the population. Its role is due to the physical and chemical properties of the soil. From the point of view of quality index of the soil the invertebrates were quite neglected. The biological properties of the soil are still weakly understood although their relations with the physical and chemical properties, with the health of the plants and the food quality are obviously important: the invertebrates play a vital role in the decomposition of the organic matter, in the cycle of the nutritive elements and it could constitute important indicators in the appreciation of the soil; the changes in the invertebrates biodiversity can give us indexes of the deterioration or rehabilitation of the soil. The novelty of the project stands in introducing in the equation of the parameters that assure the proper ecological genesis of the soil, the invertebrates' biodiversity in the corn culture soil. The study has a character of national novelty and "primum movens" in the corn culture in Sibiu County. Being a novelty it asks for an original methodology, all leading in the end to obtaining a biologic index.

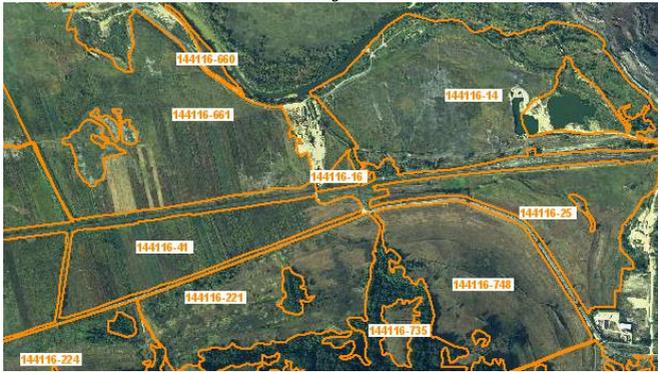
2. Material and method

The researches took place in the agricultural ecosystem Axente Sever/Copșa Mică. We made our opinion in choosing the latter agricultural ecosystem because there we are dealing with two major problems: the excessive pollution of the soil and the presence in the corn culture of two important pests: *Tanymecus dilaticollis* (corn weevil) and the migrating locust (*Locusta migratoria*).

Mapping: three types of maps for each researched agricultural ecosystem:

1. Google Earth maps, general and detailed view;
2. Maps LPIS (cadastral maps) – map of APIA (photo plan) at a scale of 1:2500, 1:5000 and 1:10000. The researched place can be recognized after the number of the physic block 661 for Axente Sever and 144116-14 for Copșa Mică;
3. Administrative plans of the agricultural plots from the local City Hall. The part called "Șesul zavoi" is the part in Axente Sever adjacent to that in Copșa Mică.

Figure 1: Axente Sever - Maps LPIS (cadastral maps) – map of APIA (photo plan) at a scale of 1:10000.



Source: APIA

Collecting the samples in the soil from the researched agricultural ecosystems

Figure 2: Collecting the samples in the soil from Axente Sever



Source: original photo

Determination of the heavy metals by spectroscopy of atomic absorption is relatively new technique characterized by rapidity, sensibility and the possibility of analyzing the metallic ions from complex mixtures

without being necessary the previous separation of these. These types of analyses were done in the labs of the Faculty of Agricultural Sciences, Food Industry and Protection of the Environment in Sibiu.

The spectrophotometry of atomic absorption is a method of analysis which is based on the property of an atom, which being in a fundamental electronic state of absorbing the radiant energy corresponding to the wave length of one of its resonance radiations.

In the case of absorption of the radiation an element brought in the gas state (atomized) can be passed into an energetic high state if it is introduced in a field with electric and magnetic field. The electrons are transferred from the external stratum to a superior energetic level and the atoms pass into an excited state. The radiation is absorbed by the atoms and the reduction of the intensity of the incident radiation is in a close bound with the number of atoms which absorb; in this way is determined the concentration of the element in the sample.

The basic principle for the quantitative evaluation of the absorbed spectrum is based on the Lambert-Beer Law, with the mention that the relation between the absorbed and the concentration is a linearly one only for the reduced concentrations. In the case of raising the concentration this property disappears.

In order of determining the heavy metals from the soil samples taken from the soils in Axente Sever/Copșa Mică we used the apparatus contra 700, a spectrometer for the atomic absorption with a continue source of high resolution (Figure 3).

Figure 3: The spectrometer of atomic absorption ContraAA 700



Source: original photo

For determining the content of heavy metals the soil samples were left to dry at the room temperature, then dried at a temperature of 105⁰ C in the drying stove for 3 hours. After drying the soil samples were grinded with the Fritch Pulverisette equipment 0 (Figure 4)

Figure 4: Grinding mill for soil



Source: original photo

Besides drying and grinding the soil samples didn't require any other preparation phase.

3. Results and discussions

Collecting the soil samples from the researched agricultural ecosystems represent a first important phase in the study of the agricultural entomological fauna being available for Romania by STAS 7184/1-84 "Harvesting of the samples for the pedological and agricultural chemical studies". The configuration of the studied plots was rectangular – rectangle. As results we obtain from each studied plot an average sample, constituted in its turn from 40 elementary soil samples (round 20 for each hectare), the surface of the plot being walked in zigzag. The soil samples for the agricultural chemical maps were taken from a depth of 30cm with the drill. The elementary samples were introduced in collecting bags corresponding to each plot. These bags were numbered and dated. For unloading the drill of the soil sample from its channel was used a tool with a beak that slides on channel evacuating the sample in the bag. The samples were taken to the lab of agricultural analyzes of The Faculty of Agricultural Sciences and Protection of the Environment in the idea of drying and grinding them.

The phase in the lab comprises the operations of unpacking of the samples, their labeling, numbering, drying and grinding. The samples from the bags of soil collecting were dried at the room temperature for 2 days and then were grinded. After grinding the sample was put through a sieve having the diameter of an eye of 2mm, drifted and afterwards there was going to determine the heavy metals from the agricultural ecosystem.

The determination of the heavy metals by spectroscopy of atomic absorption

As a result of reaching on the soil of heavy metals contained in powders the level of pollution of the soil is still very high in the area. During the time the state of the soil was monitoring by The Agency of Protection of the Environment in Sibiu. The average concentrations of lead and cadmium in the soil are continuously high in this area (Table 1).

Table 1. Average samples of lead and cadmium in the soil of corn culture in the agricultural ecosystem in Axente Sever and Copșa Mică

Number	Collecting samples location	Cd (mg/kg) average sample	Pb (mg/kg) average sample
1	Axente Sever	19,10	558,45
2	Copșa Mică	18,85	950,30

Comparing these data with the reference values regarding the concentration of some heavy metals (total forms in the soil) published by The Official Monitor (Order nr. 756/1997 of M.A.P.P.M. first part, nr. 303/1997) come to support this fact (Table 2).

Table 2: Reference values regarding the concentration of some heavy metal (total forms in the soil)

	Pb	Zn	Cu	Cd
	(mg kg ⁻¹ s.u.)			
N.C. (normal Content)	<20	<100	<20	<1
Alarm Limit				
Sensitive use	50	300	100	3
Less sensitive use	250	700	250	5
Intervention limit				
Sensitive use	100	600	200	5
Less sensitive use	1000	1500	500	10
Charging class				
Weak	21-40	101-150	21-40	1.1-2.0
Moderate	41-100	151-300	41-100	2.1-3.0
Strong	101-300	301-700	101-200	3.1-7.0
Very strong	301-1000	701-1500	201-400	7.1-20.0
Excessive	>1000	>1500	>400	>20
Source: The Official Monitor - Order nr. 756/1997 of M.A.P.P.M. first part, nr. 303/1997				

A thoroughly research of the soil from a pedologic, physical and chemical point of view as well as of its pollution and the correlation with productivity was done in 2000 by Professor Micu Mircea in his Ph.D. thesis in 2001 having the title “The Influence of Pollution upon the Soils in Copșa Mică Area and Its Ecologic Implications”, being a reference document in this field (Barbu, 2006). One of the general observations of this study mentions the lack of homogeneity of the level of development of the same vegetable species on the same under type of soil. This fact was also noticed by us through the

researches done in the analyzed corn agricultural ecosystems. The vegetation, represented by grain corn, was presented quite not uniformly, so some parts were covered with fully developed plants and some parts with weak plants or even without plants. This fact assures a moderate level of productivity regarding the agricultural ecosystem. In this case the pollution with heavy metals is to be blamed for diminishing the productivity.

Another aspect that can't be over sighted is the effect of the black smoke that is present in the area. The deposits of black smoke lead to the closing up the stomas and prevent the getting in of the sun rays, affecting strongly the photosynthesis process and in this respect leading to the diminution of the corn production (Barbu, 2006). The accumulation of black smoke at the soil level leads to an excessive pigmentation of it. The modification of the color of the soil was noticed during the collecting the soil samples and the agricultural entomologic fauna in the area. Blacking was observed also at depth which outruns the limit of actions of the cars or the equipment for the mechanical works within the culture technologies.

The pollution of the environment in the Axente Sever and Copșa Mică area has a strong negative impact upon the invertebrates in the soil. The high level of contamination in the area with heavy metals had as a consequence the destruction of the ecologic equilibrium, reflected in the reduction of the invertebrates populations. In the rapport done by Vădineanu and coworkers in 1991 is drawn the alarm sign for the disappearing of the species of nematodes, enchiridia, lumbricides, and the number of species of oribates and collembolans was reduced with 11-95% given to non polluted areas. Our researches regarding the influence of the pollution with heavy metals upon the biodiversity of the agricultural entomologic fauna come to complete the studies already done in this field.

4. Conclusions

The average lead and cadmium concentrations in the soil of the corn agricultural ecosystem in Axente Sever/Copșa Mică area are still high.

The vegetation, represented by grain corn is presented quite non uniform in the studied plots. There are parts covered with full grown plants, other with weak plants and other without plants. This thing being a consequence of the pollution with heavy metals of the soil in the researched area.

The pollution with heavy metals, over the permitted limits, assures a level of moderated productivity at the level of the agricultural ecosystem, as a result of reduction of the photosynthesis process of the cultivated plants.

The corn cultivated on soils polluted with heavy metals extracts these metals that, finally can reach in the human or animal body, causing serious diseases.

The heavy metals from the soil are harmful for the invertebrates, affecting the capacity of forming the humus, so of the productivity of the soil.

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