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**Speech by Professor Alain MIOSSEC,
Rector of the Academy of Rennes**

***DAN POPESCU PROFESSOR, "DOCTOR HONORIS CAUSA"
THE UNIVERSITY OF RENNES 1, FRANCE***

At the end of June, the University of Rennes 1, France, the prestigious institution of higher education (among the top 420 in the world), the ceremony took place for offering the title of "Doctor Honoris Causa" of the French University for three foreign researchers "to high international level, as outlined in these official documents. Among them, the Romanian professor Roman Dan Popescu, from "Lucian Blaga" University of Sibiu, a specialist in political economy, history of economic thought - economic history. The other two teachers were Norwegian Alex Hansen, a professor at the University of Technology in Trondheim, Norway, Physics and the American Richard R. Schrock, of the Massachusetts Institute of Technology, USA, specializing in chemistry, Nobel Prize for chemistry in 2005. All three researchers worked together and collaborate essential in research and teaching, the University of Rennes 1.

In front of many people - teachers, students, diplomats, friends - and by intonation hymns Norway, Romania and the United States were presented, in short, for each of the three awards, major coordinated activity, affirmation of international and they have, then, right at 10 minutes to your speech and reception of the title.

Scientific personality of Professor Dan Popescu was revealed by French professor Robert Labbe, former Director of IUT of Rennes. in "Laudatio" have made reference to quality books and studies published by Romanian Professor, 27 books, of which 20 single author and more than 150 studies, mostly all single author, published in Romania, Belgium, France, Spain, Finland, Italy, Moldova, Czech Republic, Argentina, India etc. He was president of the International Congress on large part of economic history in Madrid, Buenos Aires, Helsinki, Utrecht.

Dan Popescu have gained the Prize "P.S. Aurelian "of the Romanian Academy in 1999, for the work of author "History of Economic Thought from Sismonde de Sismondi to Post Keynesism". Both were visiting professor, taking courses at universities in Italy, Czech Republic, Ireland, Moldova, almost 15 years the current holder of the University of Rennes 1, IUT-GEA on issues of political economy, particularly the transition countries of Central and Eastern Europe to a market economy, in economic communication problems. He actually acted to encourage university relations and the Franco-Romanian friendship.

The awards were handed out by Professor Guy Cathelineau, president of the University of Rennes 1, in the present Rector Alain Miossec, French and other foreign officials.

**Le discours de Professeur Dan POPESCU
L'Université "Lucian Blaga" Sibiu**

**MONSIEUR LE RECTEUR,
MONSIEUR LE PRÉSIDENT,
CHER(E)S COLLÈGUES, MESDAMES ET MESSIEURS,**

Je vous remercie pour ce prestigieux titre de "Docteur Honoris Causa" de l'Université de Rennes 1, que vous m'avez accordé. C'est un grand honneur pour moi d'être à coté de vous, d'être parmi vous, d'être l'un de vous.

Merci beaucoup Monsieur le Recteur, Monsieur le Président. Merci beaucoup aux Professeurs de l'Université de Rennes 1, aux collègues de l'I.U.T. – G.E.A., parmi lesquels j'ai travaillé tant d'années. Des remerciements spéciaux j'adresse au Professeur Robert Labbé, une personnalité très complexe, qui a été mon cher Cicérone à Rennes. Par son intermède, d'une manière sage et intelligente, j'ai appris beaucoup de choses sur la France universitaire. En même temps, j'ai connu la France profonde, ç'est à dire aussi la France culturelle, sociale, la France politique.

Mesdames et Messieurs,

Je dois vous avouer franchement que je suis francophone et francophile. Mais mon amour pour la France n'est pas de date récente. Dans ma famille, elle aussi francophone, il a commencé en 1947, quand je suis devenu élève à l'École Primaire de l'Union des Français de Bucarest, 7 Place Lahovary. Malheureusement, en août 1948, l'Institut Français de Roumanie a été démantelé. Les exigences du nouveau régime... En tout cas, merci à la France !

Mesdames et Messieurs,

Dans les cafés de Paris, au début du XXème siècle, on fredonnait une chanson délicate et catégorique en même temps:

«La vie est vaine,
Un peu d'amour,
Un peu de haine,
Et puis Bonjour.

...

La vie est brève,
Un peu d'espoir,
Un peu de rêve,
Et puis Bonsoir.»

C'est comme ça, la vie. De la joie et de la tristesse, du rêve au réveil. C'est l'instant même, c'est «Carpe Diem». C'était «La Belle époque». Elle fut suivie par une guerre catastrophique. Ensuite, «les années folles»: Victor Margueritte avec “La garçonne”, Tristan Tzara, etc. Quelques bonnes années, les années '30: congés payés, le gouvernement de Léon Blum en France, le «New – Deal» de Roosevelt aux États – Unis, le maître Keynes. La guerre de nouveau, encore plus catastrophique et plus compliquée, ayant aussi des racines racistes: “Ein Volk, ein Reich, ein Führer”. Des effets désastreux pour le monde entier...

...Et ce fut la sagesse qui est revenue. C'étaient “les trentes glorieuses” de Jean Fourastié et il a été aussi le commencement de l'Europe Unie. Les bases d'une Europe et d'un monde à long terme. De noms glorieux comme Jean Monnet, Robert Schuman, De Gasperi, jusqu'à Adenauer et Charles de Gaulle. Nous avons besoin de long terme...

Malheureusement, en 1972 – 1973, une crise, une nouvelle crise. L'économie est fluctuante, l'économie est cyclique et parmi les phases de chaque cycle se trouvent la crise et la récession. Cette fois-ci, en 1972 – 1973, il s'agissait d'un cycle long, déterminé par une nouvelle révolution industrielle qui était et l'est nécessaire, qui est en train de se réaliser...

Cette crise donc avec laquelle nous sommes confrontés aujourd'hui? Une crise d'économie spéculative, un cycle court de deux – trois ans et l'économie reprend des dimensions réelles. Mais qui est associée profondément avec cette crise de paradigme commencée en 1972. On a besoin d'énergies non conventionnelles, de matières premières et d'énergies renouvelables. On a besoin du nucléaire. Dans ce dernier domaine, c'est Patrick Lagadec qui donne le ton: on doit négocier entre «le risqué acceptable» – clamé par les dirigeants – et «le risqué accepté», nécessaire d'être reconnu par les gens, par le peuple.

On doit changer nos pensées, nos attitudes, restructurer nos actions, nos coutumes, notre mode de vie. On doit nous confondre avec l'environnement naturel. L'enseignement de choc a bien vécu son temps, c'est le temps, maintenant, de l'enseignement anticipative.

Par contre, ce que nous avons fait, ce que nous faisons pose, souvent, des points d'interrogation et montre des signes de fatigue. Très peu de riches et beaucoup de pauvres. Dans le monde, 250 familles ont une richesse qui dépasse de loin ce que possèdent presque 2,5 milliards de gens. C'est de la folie. Qui garde qui? Beaucoup de pauvres, très peu de riches? On aura de graves explosions sociales. Alors, on doit changer. Comment et combien? Une question digne d'intérêt. C'est la confrontation entre l'être et l'avoir...

Mon pays, la Roumanie, a fait de gros efforts pour être admise dans l'Union européenne. La Roumanie fait maintenant de gros efforts pour se maintenir là-bas. C'est normal, mais on a toujours des choses qui ne sont pas vraiment claires. Nous avons besoin davantage de réflexion et de prévention...

Dans notre temps si compliqué, les économistes et, en bonne mesure, même les gouvernements, doivent changer leurs statuts. On dit souvent que les économistes ont été et le sont encore comme Christophe Colomb: il est parti sans savoir exactement où et il a débarqué sans savoir exactement où il est arrivé. Et il a fait ses voyages sur les frais de l'État...

Mesdames et Messieurs,

Jared Diamond, un grand chercheur américain, a relevé, dans l'évolution de l'humanité, presque 500 civilisations. Il en reste 30, les autres ont disparu. Pour des causes économique, notamment. On n'a pas des arguments satisfaisants pour démontrer que notre civilisation actuelle est éternelle. C'est difficile à penser dans cette manière-là, mais c'est comme ça la réalité...

Monsieur le Recteur, Monsieur le Président, Mesdames et Messieurs,

Je suis optimiste, même si on affirme parfois que les optimistes sont des pessimistes mal informés. Le père du fameux explorateur Charcot, le médecin Charcot, précurseur de Freud, disait souvent qu' « il n'y a pas des maladies, il n'y a que des malades ». Malheureusement, père Charcot n'était pas économiste. Je crois, quand même, dans nos capacités, dans

nos efforts, nous sommes dans la même barque et personne ne doit être jeté à l'eau. J'ai confiance dans les jeunes, dans nos enfants et dans nos petits-enfants. Espérons le mieux et amusons-nous à côté de Voltaire qui, dans "Zadig ou la Destinée", disait avec humeur que "tout est pour le mieux dans le meilleur des mondes possibles"...

* * *

Merci beaucoup de votre attention et permettez-moi de vous dire une fois de plus que je suis très honoré par ce prestigieux titre que vous m'avez accordé. Merci beaucoup.

Dan POPESCU, Professor Ph.D.
“Lucian Blaga” University of Sibiu

INDUSTRIAL REVOLUTIONS: GLOBALIZING OUTCOMES-COORDINATES OF THE RELATION INTERESTS-CONSTRAINT-SEDUCTION

„I have lived long enough to see that differences can breed only hatred, when, in fact, they should be first and uppermost studied”

Stendhal

... When we speak about globalization, we must find its origins, across centuries. Is globalization a „new process” or did it originate in the mist of time, having evolved to its present forms? We are the partisans of the latter hypothesis. For example, more than ancient Greece, the Roman Empire. Through its spread, free or rather relatively free movement of capitals (money, in the spirit of the time), people, merchandise within its borders – keeping in mind the restrictions of those times-, taking into account its common, imperial policies towards its partners, taking into account the promotion of its beautiful and wise beliefs of Latin civilization on three continents (Europe, Asia, Africa), the Roman Empire can be regarded as a successful attempt at globalization, of internationalization, as a successful attempt at what we understand today by these processes. It was globalization by „seduction” rather than by „constriction”, the Romans’ superior status often being asserted as a model, not as an instrument of oppression. The Roman Empire disappeared in time, but the effects of its spread have persisted and are still persisting, we are benefiting from them today, and it seems we are going to do so for many years to come...

Then, starting with the 15th century, followed the great geographical discoveries- and gains-. With almost unanimous acceptance, Europe was the „starting point”, while the „destination points” were in fact scattered all over the globe. In Asia, in Africa, but especially in the Americas, as a partly novel element- even if we also give credit to the theory according to

which the Vikings, led by Erik the Red, were the first to set foot on the American continent, decades before Columbus- promoting European principles of civilization and religion here, establishing colonies, thus setting up an enlarged Europe overseas. „Seduction” was here less manifest, „constriction” playing a much more decisive role. Of course, the old continent received the „news” which its men, the great discoverers and explorers from Spain and Portugal, then from France, England, Germany, etc were bringing to it in word and action. We can include Marco Polo here as well- it is true timidly-, a „per pedes” traveler, not a sailor. There was a tendency in a way, towards a large and relatively single world, even if „torn apart” by countless „internal conflicts” (wars), of the bloodiest and most paradoxical kind. People would die massively, for example in the name of the armed promotion of some „holy ideals”, of some „royal ideals”. All these largely corrupted in their divine spirit by the mirage of gold, which was not seldom criminal, by the edge of bloody swords, by the weapon of poisons (the famous „currara” has not been elucidated to this day), by schemes and plots, and by all sorts of other confrontations...

It is true that in all these respects we speak less of the economy. However, implicitly but many times even explicitly, the economy would reveal its essential place and role, its great influences on society, on the world. Production and productivity were concretely materialized, but not so well felt and asserted at the theory level, they- the respective concepts, vaguely and timidly defined- could not decisively influence the economic development of mankind. The mercantilism school, the „beautiful” school, with its interesting views, with its two stages, the early mercantilism and the developed mercantilism, „saw” the very creation of the plus product only in circulation, an area which actually sublimated it as such, the plus product being largely realized in production. Distinguished and refined physiocrats, the first theoreticians of economic freedom and the world’s first econometrics specialists (Francois Quensay’s famous „Economic Table”), have, however, a better understanding of things, of the actual direction of development. Yet, it seems that this is not enough in order to instill into Europe and into the world the belief in productivity and output growth, which is essential for progress. It is true that both mercantilism and physiocratism significantly contributed through their economic targets to the expansion of the colonial system, in our opinion an advance, even if relative, on the globalization path...

Some steps ahead relative to them, were made from the same perspective by the great Adam Smith. In his book „*The Wealth of Nations. An Inquiry into Its Nature and Causes*”,- first published in London in 1777, and massively republished after that date, today, in most countries of the world in hundreds and hundreds of thousands of editions-, Smith proves more judiciously the economic primacy of labor division and of productivity growth, the growth in welfare, as a sine-qua-non condition, and as a result of output growth. The economic processes, were therefore captured in books. One way or another, more or less adequately from the perspective of our current thinking, but they were still captured. It was not by chance that Smith, maybe too hastily called by Marx „the economist of the manual labor period”, wrote not for manual work, but for the industrial capitalism to follow, thus surpassing his time through his prospective vision... So, the economic life, the economic practice could not really keep up... Yet, the need for a genuine revolution in production, in activities, a revolution which was to change the economic world, as well as the social, political and cultural one was intuitively felt. A revolution that would be slow to take shape, and would require a long time to be fully understood as such.

It is what we call „the industrial revolution”, (in practice several „revolutions”, or several stages of the same „revolution” seen in its continuous development, in its continuity). Through its effects, this is the most important moment for globalization, even for our globalization today, especially in what it has good. This is the time that has fundamentally changed the world’s configuration and economic structure, and will continue to change it, now and in the future. We are talking about a stage that continues to rely on brute work, but also resorts to brain work, to technical and economic intelligence, to human intelligence in general, which from now on will be fundamentally intertwined with work as it had largely been known until then- mainly brute work. We are going to refer to these things in what follows. We are also talking about the evolution of the „seduction”- „constriction” relation, with the generally desirable increase of the „seduction” proportion, and the development of a „constriction that seduces in time”, followed, even if not always, by palpable positive effects. Because „constriction”- „constriction”, was no longer possible, is no longer possible...

So, „industrial revolutions” as a solid foundation of modern globalization. As I was noting in my course of „*Economic history- The History of the National Economy*”, the „industrial revolution” represents

the process of transition to mechanization and to the emergence of large mechanized production, manual work being replaced by machine- tools. The industrial revolution will generate deep changes in the world's economic structure. We are dealing, of course, with an extremely complex, dynamic, sharply upward evolution, taking place in several stages- the definition above referring to the first stage-, or we can notice the existence of several „industrial revolutions”

In the first instance, the „industrial revolution”, in general, can be defined as the essential and continuous progress in technology, and, of course, in the sciences underlying technologies, as the carrying out of some ample changes in the energetic and logistic support of industrial development, and of development in general, too. What has caused and is still increasingly causing the economic world to „speak” the same language more and more. To have the same objectives, to pursue the same overall goals in a relatively unitary, homogeneous and consistent way. It is only natural, logic that such a matter has evolved from the simple to the increasingly complex, from the primary sector to the secondary, the tertiary, the quaternary one and whatever may come next. „The information technology age” has not fallen out of the sky, it is based on successive increases in the field of production and productivity, of technologies, of industrial infra- and supra-structures, on important mutations in the learning process, in the social structure, in the fabric of society as such, all these interfering and reciprocally reinforcing each other.

In the second instance, which is only formally different from the first one regarding the „employment” of known and unknown quantities in the „development equation”, a first „industrial revolution” would be that of the transition from manual work to mechanization and to the development of the large mechanized production (see the definition above). A second „revolution” took place almost parallelly, but was extensively influenced at the energetic level and at the level of the industrial logistic support. I am specifically referring here to the „transition from wood to coal and metal”. A third „industrial revolution” will be that of „electricity”, and at the industrial infrastructure level, that of the „railway”, of the „automobile”. Then we could note the „crude oil era”, with its endpoints unfortunately still expanding and booming today. We can note the „aviation era”, the „nuclear era”, etc. Without being able to draw very clear boundaries, the „information technology era” is also relevant, with the creation of specific industrial and economic infra and supra-structures,

mainly related to more or less representatively industrialized and post-industrialized economies, but with a high industrialization and post-industrialization potential. Also relevant is the „post industrial” era as such, not separate from information technology, but on the contrary, linked to it, etc.

As I was saying, we are ultimately discussing a complex process, whether it is seen in its stages, or segmentally, each segment illustratively bearing, as a „title”, one of its essential features. Globalization „set in” naturally, gradually, and increasingly as a common denominator, of the cause-effect and effect-cause type, for all these changes. The matter, temporarily delayed, is distinctly visible- of course, intertwined with some important political elements-, in eastern and central Europe as well, although from some moment onwards and as compared to the West, some evolutions have been more confuse, less smooth in this troubled part of the „Old Continent”, there have been more rebounds, stumbles, etc. Yet, in order to arrive at this moment more clear-sighted and in order to „see” and understand it better, let us examine more closely the primary process, the „in nuce” process of „industrial revolutions” and their significant effects on the globalization process. Based on such an analysis of the past, we will be able to make out more correctly what is happening in the present and what the future has in store. And, as always in social history, we will certainly be able to point out a general line of continuity, of course not without ruptures, which have not been overwhelming after all.

Thus, England, the first half of the 18th century. „The industrial revolution” will begin in the field of cotton processing industry. But why England, and why this sector? As early as those times, England had a developed manual labor industry, whose products were consistently demanded both on the domestic market and abroad, an important role being played by England’s colony system, a developing system. At the same time, England had a very high quality educational system, in continuous progress and with the most beautiful traditions. The universities of Oxford, Glasgow, Cambridge, etc provided not only important theoretical breakthroughs, their activities also revealed a genuine bent to practice, to the real, to applications of the technical and exact sciences. It was also England that had very high quality specialists, passionate about their work, devoted to their calling. Here, in England, were brought from the colonies- as we were saying a developing system- raw materials, very low price materials for industries whose products were in high demand. We are referring mainly to the light industry, to textiles,

„fields close to consumption”, with potentialities, with very important development and progress opportunities. The high-life, men or women, required garments made of fine fabrics, large, with refined designs of pleads and folds. It was a fashion which had caught on and was spreading, gaining more and more adepts in England, Europe, the Americas...

So the need existed. Instruments for its satisfaction, for its achievement will be rapidly built. In 1733, John Kay will invent the flying shuttle. The spinning machine will be designed by John Hargreaves, about thirty years later, in 1769. After only a few years, in 1769, R. Arkwright will design the mechanical spinning machine. Finally, in 1804, Cartwright will design the mechanical loom, and this will enter usage. Discoveries, inventions which put together made it possible to use a large quantity of threads, and satisfy the high demand for cloths. A step had been made ahead on the road from manual work to mechanicalism. Others will follow rapidly. Machines were now necessary in order to manufacture other machines, iron, high-power machines capable of working, of using difficult fuels according to the given production and sale capacities. Animal draft transports, relatively few and of small size, could not satisfy the demand either. Important urban concentrations, mining and industrial centers will appear. Or how could industrial quantities of ore, coal (which will replace wood for a source of energy) be carried by cart? Or with the back? The answers to these questions will be equally important.

So, structures and infrastructures. France, 1680. A king- Louis XIV- authoritative and having done many things for his country. In constructions and technology, numerous bridges, viaducts, pipelines, canals, then laboratories with good results, etc. He was a king, a ruler who valued intelligence. A long reign that was drawing to an end. A remarkable physicist and mechanic as well, Denis Papin (1647- 1714) becomes in 1680 the inventor of the „steam digester” at that time called „Papin’s pot”. He also invents the centrifugal pump and describes „the thermodynamic cycle of the steam engine”. The beginning had been made... The English James Watt (1736-1819) will perfect the construction, endowing it with an essential element, with a „condensation chamber” maintained at the temperature of the environment. Practically, England and France, hand in hand open new horizons towards industrial development, towards the world’s progress in general. A new driving force will be provided for industrial production development, output and work productivity will be increased.

The manufacturing of machines by machines begins, in other words a genuine revolution of the light industry and the propagation of the technological revolution to the heavy industry, too. As „the use of steam power will require iron machines capable of withstanding higher pressures, the metal industry will acquire new dimensions.” Ore separation begins to be done with pitcoal turned into coke, rather than with wood coal as it had been done before. The method of coke production had been discovered by Abraham Darby; now were discovered the methods that allowed cheaper steel production- puddling, which made it possible to turn hard and brittle cast iron into pure and malleable iron. Within several decades a huge progress had been made in Europe, which was to further continue...

... Steel becomes essential. In 1856, Henry Bessemer invents the converter, which allows him to obtain liquid steel and in large quantities. However, it is only in 1878, that Thomas Gilchrist discovers the possibility to use ore with phosphor, removing phosphor by lining the converter with magnesium. The effects of his discovery on the extracting industry are impressive. Several figures: in England, the quantity of extracted coal increases from 5 million tons in 1750, to 10 millions in 1800 and 16 million tons in 1829. And iron ore extraction will reach 15 million tons in 1890, the necessary being also ensured from imports of 3-4 million tons of iron ore. Alongside with industry, what else contributed to such stunning dynamics? We have already mentioned transport, that on the „iron road”. This type of transport had become the decisive factor in England’s and not only economic development. Animal draft transport was no longer feasible at all. In 1830, the inauguration of the Liverpool-Manchester railway takes place. A grand event, well recorded by the then press and literature. The „barriers”, however many they may have been , had been dismantled for good...

Steam usage actually required more coal: this existed, it was made „available”, „it covered the need”. Steam usage also required, and quite plentifully, iron, steel, so engines and platforms could be manufactured. These existed as well, they „covered the need”. As a matter of fact, the price for one ton of cast iron drops in England from 17 pounds in 1728 to 6 pounds in 1802. Also necessary were the metal processing machinery, the machines, the parts but these too were made available at the right time, as technologies were revolutionized in a manner which had been unconceivable as long as the main raw material was wood. Thus, the drilling machine appears (in 1774), and so does the planing machine (in

1776), the nail machine (in 1790), the cable manufacturing machine (1792), the circular saw (in 1780), the hydraulic press (1795), the micrometer lathe and the pushcart screw threading machine both made by the engineer Henry Maudslay between 1797-1800, etc. The „industrial revolution”, „revolutions” are booming ...

In such conditions, and inter-conditionally, England's iron production will rise from 700 thousand ton in 1830 to over 2.2 million tons in 1835, the increase being even sharper later. Railway transport will see a genuine „boom”, in England and in the world. In 1850, 35 thousand km of railway line had been built in the world, England holding 10 thousand km. In 1914, however, the world railway network, a network which had been expanded and largely developed in other European states, too, in the United States, in Canada, in countries of South America, in Asian Russia, and in other countries (still colonies) of Asia (India for example), and of Africa, etc- will reach 1 million km.

... Anyway, the specialized industrial language characteristic to the emerging modern capitalism, had become common to almost all states harboring aspirations and velleities in this respect: ore, coke, furnaces, transport, locomotives, carriages, useful substances for ore, energy, efficiency, gross and net profit, technologies, labor force, organization, management etc. We are heading towards eminently new horizons, which would, however, erode fast, the „new” as such being for ever and increasingly fast materialized by something else. As a matter of fact, the bases of „globalism”, of the „mondialization”, of the „internationalization” of economic development had obviously been laid.

Towards 1800, in the conditions of the industrial revolutions, England, France, Germany, the United States, Japan, Russia, etc were speaking almost the same „economic language”, each of them developing, relative to the others, general interests of the same type, general targets of the same type, general processes of the same type. Output, productivity, profit, economic structures had become ordinary words, too, alongside those already mentioned. As there existed a „relatively common denominator”, even if the „numerator” was different, it is without a doubt that important steps were made in the direction of what we now call „globalization”.

In France, tool machines are spreading in the textile industry between 1815-1870, and then rapidly to metallurgy, machine production, sugar industry and paper industry, printing- what a wonderful industry, etc. In 1839, 2,450 steam engines with a power of 33 thousand H.P. were

used, while in 1870 were used 27 such engines, with a power of 330 thousand H.P. The growth coefficient is relevant. Still, coal was then available only in small amounts and at a low quality. Even in 1913, 41 million tons of generally low quality coal was exploited in France (little, very little as compared to England, with 279 million tons of coal). This meant that almost 60% of the French coal production had to be used in small furnaces that used charcoal as well, coke becoming widespread mainly after 1860.

As regards iron ore extraction, progress was not very rapid, France becoming a force in siderurgy only some time later. For example, towards 1890, France would make only 500 thousand tons of steel, while England managed to get 3.5 million tons, the USA less than 3 million tons, Germany 1.9 million tons, etc. All this French production was fundamentally marked by the sustained progress of the railway network in France... From the perspective of France's industrialization, of the strong and qualitative industrial development in the country of the Gaelic rooster, two names should be mentioned: a) the great Napoleon, an open spirit, very stimulating for brains, those obvious brains, but not only on the occasion of the „Continental Blockade” in 1806; b) Bonaparte's nephew, emperor Napoleon III, who pursued a policy of development, of support, of protection, of stimulation for modern French industry development and growth. Just like England, the British Empire respectively, the French colonial empire, the second largest in the world after the British one, has its importance, facilitating the procurement of raw materials and low price materials, and the consolidation of strong outlets for products made in the metropolis. And not necessarily as a parenthesis, we have to say that both France, and especially England, the British Empire, while pursuing the development, consolidation, strong assertion of their national industries, formulated and applied protectionist policies, with the most judicious, irrefutable arguments. They shunted rapidly and became „liberal” when their manufactured products needed easy entrance on other states' markets. This is why, a French historian of Andre Maurois's stature, wrote in his famous book „The History of England”, that „the principle of the English policy is that of having no principles”. This is a principle, too: ”to have no principles”. No comment ...

Germany spurred in its economic development by Friederich List's Zollverein (Customs Union) initiated in 1819 and completed in 1836, develops its metallurgic industry among others, significant through their size and evolution being the Krupp enterprises of Essen. Germany's

coal production will rise from 3 million tons in 1840, to 26 million tonnes in 1870, and to 270 millions in 1913. A new star was rising on the economic firmament...

The United States economy has similar evolutions. The political background, generated by essential economic requirements and commandments, was stimulating in this direction. In 1782, the Treaty of Versailles confirms the existence of the United States. Yet, the southern states, such as Virginia, South Carolina, North Carolina, Georgia,- and especially on plantations, with slaves brought relatively recently from Africa on „black ships”-, produced tobacco, cotton, wool, indigo, extracted copper, iron, exploited wood for ship construction, tanned hides. On the other hand, in the northern states, such as Pennsylvania, New – York, New – Jersey, Connecticut, Massachusetts, „fortunes” were made mainly from trade, from investments in textiles, in industry-related machine constructions, in leather goods, timber, iron smelting, ship construction sites, etc. With a bigger need for free labor and capital investments, the „North” will impose itself, will win the match, slavery will be abolished, the modern, efficient, and strongly protected industry will „open up”. It is significant that in 1900, the length of railway lines in the United States was 263 thousand km, half of the world network. The construction of roads and navigable canals is developing as well, the bright day of the automobile industry is dawning...

An important, even vital factor in the stimulation of the USA industrial revolutions and industrialization is represented by immigration. For example, between 1847- 1852 a seventh of Ireland’s population immigrated to the United States, in 1854 the number of German immigrants reaches 127 thousand, etc. It is also relevant that after the First World War, the USA as well „changes direction”, they are no longer afraid of competition, apparently reduce protectionism and request free entry for American products, merchandise on other markets ...

Japan, with its isolationist traditions but with the western wall „broken” in 1854 by an American squadron of eight warships, France, England and Russia also being „tolerated”, will „introduce” and benefit from the best fruit of the „industrial revolutions”. It did not have raw materials but it had „grey matter”. Everything was taking place on the backdrop of the Meiji era, a time of substantial modernization. The development of the Japanese industry will be supported by the state, which will use the cheap labor of impoverished peasants, and benefit from a brilliant Japanese brainpower, capable, among others, of understanding

and applying with high productivity the general, overall achievements of the industrial technology. In the 8th and 9th decades of the 19th century, large financial oligarchies will be built in Japan, even though they show strong familial features: Mi – Tsou –Y; Sumi – Moto; Mi – Tsou - Bechi, etc. The ironworks industry of Yamata stands out in the Japanese space, and after Japan won the Russian-Japanese war of 1905, a weapon industry, largely based on the iron and coal of Manciuuria and Korea, will also develop here. Yet, the Japanese intelligence ...

Other states of western Europe, of central Europe, Russia, the states of Latin America, will mainly follow on the same path: industrial economy, infrastructures, economic protection as much as possible, education, schools, universities, urbanization and urbanism, etc.

What are the globalization-related effects of this development process in the west, a process of extensive „industrial revolutions”? The world market, seen as the sum of trade relations between countries, is developing noticeably as a result of an increased international division of labor. It is true, the gaps between the west and the countries in the rest of the world, initially and relatively opaque to the „industrial revolutions”, is becoming more obvious. Still, this does not decrease the volume of trading, but actually at that time increases it, it does not promote autarkic economies, but rather „complementary economies”. At the same time, economic relations, even if under the „umbrella” of states, of the economic policies promoted by them, essentially and primordially constitute themselves between large trusts and companies, the interests and „laws” of financial markets, of capital markets beginning to prevail, more or less fundamentally, over one or another country’s national level, over national interests, etc. Superiority on the world market is increasingly dependent on superiority in industrial development. The United States abolish slavery for good in 1862, thus providing a strong impulse towards freedom to other states, to other people as well. Even if the balance of power is changing- in the world’s total industrial output England will go down from around 32% in 1870 to 14% in 1913, but the USA will climb, during the same period, from 23% to around 36%, Germany from 13% to 16%, Russia from 3.7% to 5.5%, etc- the laws as such of industrial development are becoming ever stronger, their core, gravitational point being „the increase in work productivity” and of course, essentially „profit”. Where this was showing, there was a progress, where it wasn’t, there wasn’t. Urbanism, in its modern meaning, is mainly connected to industrial development ...

In other words, based on „industrial revolutions”, important globalization benchmarks in its present today sense are now revealed, at the very interference between „free competition” and „modern development”. The world is becoming smaller and smaller: we have presented the railway. But also representative are the world’s great navigation canals, inaugurated in these times of big changes: the Suez Canal (1869), the Corint Canal (1893), the Kiel Canal (1895), the Panama Canal (1914), etc. One would hardly have considered them, had not the industry provided the means, the necessary elements, had it not been for the financial gains thus obtained. More or less inchoate, sometimes even in advanced forms, the vital and general elements of modern development are showing: the automobile, the plane, the specialized navigation (refrigeric cargo ships, oil tankers, submarines), the wireless telegraph, the telephone, and the tertiary sector is beginning to assert itself strongly as well. All these are supporting and will continue to support globalization in its benefic aspects. It becomes thus „visible”, especially for the West European area, for the USA, Japan, etc. But what was going on in Eastern Europe?

In the center and east of Europe things are relatively different. On the one hand, there are researchers who have "drawn" and are still "drawing" a deep borderline between the “east” and “the west”. Especially for the period after the Second World War, but also before it. As if we were talking about different races, different continents, lower intellectual capacities in the east, an inferior spirituality, an essentially different capacity as compared to that of the west. As if the “east” were fundamentally guilty for its rather intricate historical paths, largely designed by others, nevertheless...

All these are, of course, bigger or smaller exaggerations. Yet, I regard as real a series of different evolutions, which depend on the geographical setting and on the historical context, on different efforts. Religions have also made a difference. These are evolutions that, especially after the 18th century and after Europe’s west embraced and completed the « industrial revolutions », generated developmental setbacks in the east, as compared to the west’s dramatic growth. They have generated less advanced economic forms as compared to those existing in the west. They have generated some delay-specific attitudes and behaviors, less adjusted to the west’s thrust towards performance, towards productivity, towards the requirements of mature markets. Things are more complicated, but several characteristics can be outlined : lack of

a skilled labor force, lack of more offensive national and individual attitudes on an international market, where the final word belongs to those « economically strong ». But in spite of often adverse circumstances the « industrialist trend » of an emerging, economically educated national bourgeoisie, starts to take shape.

In Romania, this framework includes, for example, P.S.Aurelian, but also Dionisie Pop Marțian, Al.D.Xenopol, George Barițiu, Lazlo Kövary, Mihail Kogălniceanu etc. They all advocated the necessity of industrial development, the not so small efforts that had to be made, they explained and promoted- sometimes by the force of their own example- actual ways to achieve such an objective. The industrialist trend appears with valuable valences in other east European states as well. It develops convincingly, it has remarkable practical applications and brings to the east many of the positive effects of the « industrial revolutions » present in the west. Machines make their presence in the food industry, in milling, in the paper industry, in the light industry, in metallurgy, in the mining industry. Railway transports see a strong development, etc. Reasonable views are adopted regarding the relations between domestic and foreign capitals, the possibility for a country's natural resources to be exploited by the domestic capital, too not only by the foreign one. An efficiently built structure of industrial production is advocated, the well-known problem of the « price scissors » in foreign trade relations is properly understood, its elements are well placed in the equation. On many occasions political solutions directly answer specific national interests. On other occasions they do not. In this context, of the clash on interests, a great Romanian economist appears, professor Mihai Manolescu. He is the specialist who irrefutably argues for the necessity of industrial development in all the states of the world. National industries in less-developed countries have to be protected at first, then subject to the rigors of the international market, the quality of their effort and management being the sole generator of real individual and social gain from now on. Yet, not everything was going well...

... The « peak » of pernicious confrontations in the First World War was unfortunately easily surpassed by the more varied confrontations during the Second World War, confrontations which were extremely bloody and resulted in the division of the world between « two parallel and opposed systems », in the « cold war », in the extremely unfortunate economic consequences, etc. Thus, almost everything was against globalization as we know it today. But things have changed, and reality in

its evolution pleads for this direction of change. Essential arguments ? The emergence of « global problems » requiring « global solutions », on the backdrop of mutations- industrial revolutions, the global warming and its solutions, the « paradigm crisis », problems posed by « the planetary resource management ». And there are others too, the world is heading towards civilization and globalization, but a globalization to everybody's advantage ...

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IMPLEMENTATION THROUGH INTERNAL MARKETING

Abstract: *The paper takes into consideration the role of internal marketing in enhancing and sustaining a company's ability to compete:*

- *much new thinking and practice in strategic marketing is concerned with managing relationships: with the customer, and with partners in strategic alliances. However, a further aspect of relationship management and relationship marketing is the relationship with the employees and managers, upon whose skills, commitment and performance the success of a marketing strategy unavoidably relies. This is the internal market inside the company;*
- *we have emphasized the centrality of competitive differentiation to build market position. Let truly exploiting a company's potential competitiveness and its capabilities in reality is often in the hands of what Evert Gummesson (1990) has called the "part-time marketers". Indeed, in some situations, the employees of a company may be the most important resource that provides differentiation;*
- *in a similar way, the growing emphasis on competing through superior service quality relies ultimately on the behaviour and effectiveness of the people who deliver the service, rather than the people who design the strategy;*
- *indeed, increasingly it is recognized that one of the greatest barriers to effectiveness in strategic marketing lies not in a company's ability to conceive and design innovative marketing strategies or to produce sophisticated marketing plans, but in its ability to gain the effective and enduring implementation of those strategies. A route to planning and operationalizing implementation in strategic marketing is "strategic internal marketing" (Cespedes and Piercy, 1996).*

The potential importance of internal marketing to relationship marketing strategies to strategic alliances, to competitive differentiation, to delivering superior service quality and to effective marketing implementation is underlined by the growing emphasis placed by companies in this issue.

Key words: *internal marketing, relationship marketing, internal customer.*

The conventional training and development of marketing executives, quite reasonable, has focused primarily on the external environment of customers, competitors and markets, and the matching of corporate

resources to marketplace targets. The argument we now present is that, while analyzing markets and developing strategies to exploit the external marketplace remains quite appropriately a central focus, it is frequently not enough on its own to achieve the effective implementation of marketing strategies. In addition to developing marketing programmes and strategies aimed at the external marketplace, in order to achieve the organizational change that is needed to make those strategies work, there is a need to carry out essentially the same process for the internal marketplace within companies.

The marketplace is made up of the people, the culture, the systems, the procedures, the structures and developments inside the company, whose skills, resources, participation, support and commitment are needed to implement marketing strategies. Indeed, the internal marketplace may increasingly extend to include our partners in alliances and organizations.

It seems that the reality in many organisations is that often an implicit assumption is made by executives that marketing plans and strategies will “sell” themselves to those in the company whose support and commitment are needed. When made explicit in this way, it is apparent that this is just as naïve as making similar assumptions that, if they are good enough, products will “sell themselves” to external customers. It is often surprising that those same executives who have been trained and developed to cope with behavioural problems – like “irrational” behaviour by consumers and buyers, or the problems of managing power and conflict in the distribution channel, or to need to communicate to buyers through a mix of communications vehicles and media, or the problems of trying to outguess competitors – have taken so long arrive at the conclusion that these same issues have to be coped with *inside* the company. The paradox is that we discuss the “*better mousetrap*” syndrome for our external markets, but adopt exactly this approach in expecting managers and operatives, whose support we need, to make a “*beaten path*” to the marketing planner’s office. In particular, we suggest that it is not acceptable to adopt change and to the “*unreasonable*” behaviour of those who hold different views about the desirability of that market-led change. Read commitment to strategic marketing must involve a managerial role of creating the conditions necessary to permit strategic change to happen.

What we are calling strategic internal marketing here has the goal of developing a marketing programme aimed at the internal marketplace in the company that *parallels* and *matches* the marketing programme aimed

at the external marketplace of customers and competitors. This model comes from the simple observation that the implementation of external marketing strategies implies changes of various kinds within organizations – in the allocation of resources, in the culture of “*how we do things here*”, and even in the organizational structure needed to deliver marketing strategies to customer segments. In practical terms, those same techniques of analysis and communication, which are used for the external marketplace, can be adapted and used to market our plans and strategies to important targets within the company. The goals of the internal marketing plan are taken directly from the implementation requirements for the external market plan, and the objectives to be pursued.

This is not as radical as it may at first seem. The marketing literature has traditionally displayed some attempts to link the marketing concept to the “*human resource concept*” (Cascino, 1969; Dawson, 1969) and more recent attentions has been given specifically to the interaction between the human and organizational context and the effectiveness of marketing (Arndt, 1983). Other evidence relating to the internal market on marketing effectiveness has focused on various aspects of the intervention of organizational issues as a determinant of marketing strategies rather than a result of them: Leppard and MacDonald (1987) attempted to relate the effectiveness and appropriateness of marketing planning to the different stages of organizational evolution; John and Martin (1984) have analyzed the credibility and use of marketing plans in terms of characteristics of the surrounding organizational structure. Cunningham and Clarke (1976) studied product managers as self-serving manipulators of targets and marketing information; Deshpandé (1982) and Deshpandé and Zaltman (1984) have attempted an analysis of the cultural context of marketing management and commented on the lack of a marketing theory of culture; while Bonoma (1985) has commented on the problems of a lack of “*marketing culture*” in the specific context of implementation obstacles. More recently, in a similar way, Ruekert and Walker (1987) have studied the interaction between marketing and other functional units and the role of marketing in implementing business strategies.

While this focus on the significance of various dimensions of organizational context provides a foundation, the most specific attention given to acting on the organizational environment through internal marketing, to archive marketing goals, is found in the services literature. One of the earlier conceptualizations of the employee as “*internal customer*” was provided by Berry (1981) in the context of bank

marketing, and this theme has been pursued by others, and it is heavily oriented towards the identification of employee training and development needs to improve quality in the delivery of services. Similarly, the independence of internal and external markets has been stressed by Flipo (1986), who emphasized the need to overcome conflict and challenges to marketing strategies from the internal market, implicitly following Arndt's (1983) conceptualization of internal markets in a political economy model of marketing.

Perhaps the best-known conceptualizations of internal marketing come from the "*Nordic School of Services*", where amongst other contributions Grönroos (1984, 1985) has written of the need for strategic and tactical internal marketing, and Gummesson (1987) has studied the use of internal marketing to achieve culture change in organizations. The practical application of these concepts is reflected in the literature of "*customer care*" (e.g. Moores, 1986; Thomas, 1987; Lewis, 1989), which emphasizes customer perceptions of quality, and the importance of fostering this perception through the training and development of personnel at the point-of-sale. (An interesting aside on the customer care issue from one organization was that, when presented with top management's new customer care strategy, employees reacted with some hostility and the message if you care about customers why don't you care about us? (Piercy, 1997)).

None the less, there is some established precedent for use of the terms "*internal marketing*" and the "*internal customer*". We see these developments as important for two main reasons. First, the internal marketing paradigm provides an easily accessible mechanism for executives to analyze the organizational issues which may need to be addressed in implementing marketing strategies. Quite simply, concepts of marketing programmes and targets are familiar to marketing executives and they are "*comfortable*" with them. The second point is that the internal marketing model provides a language which actually legitimizes focusing attention on issues like power, culture and political behaviour which appear quite often to be avoided by executives as somehow "*improper*".

It follows from the emergence of the internal marketing paradigm from diverse conceptual sources that the practice of internal marketing and its potential contribution to marketing strategy are similarly varied. It is possible to consider the following "*types*" of internal marketing, although they are probably not equal in importance:

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- internal marketing that focuses on the development and delivery of high standards of *service quality* and customer satisfaction;
 - internal marketing that is concerned primarily with development *internal communications programmes* to provide employees with information and to win their support;
 - internal marketing which is used as a systematic approach to managing the *adoption of innovations* within an organization;
 - internal marketing concerned with providing products and services to users *inside the organization*; and
 - internal marketing as the *implementation strategy* for our marketing plans.

The original and most extensive use of internal marketing has been in efforts to improve the quality of service at the point-of-sale in services business like banking, leisure, retailing, and so on – the so-called “*moment of truth*” for the services marketer. Some call this “*selling the staff*”, because the “*product*” promoted is the person’s job as a creator of customer service and value. This tends to be seen in customer care training programmes and similar initiatives. These types of internal marketing programme are, in practice, essentially tactical and often restricted to the operational level of the organization.

The logic is that it is apparent and obvious that marketplace success is frequently largely dependent on employees who are far removed from the excitement of creating marketing strategies – service engineers, customer services departments, production and finance personnel dealing with customers, field sales personnel, and so on. As we noted earlier, these are all people Evert Gummesson (1990) called “*part-time marketers*” – they impact directly and significantly on customer relationships, but are normally not part of any formal marketing organization, nor are they typically within the marketing department’s direct control.

It can be argued that there is no one “*right*” strategy in any *delivering* market strategies, which determine if they succeed or fail. The critical issue is becoming the consistency between strategies, tactics and implementation actions. This suggests that real culture change is a central part of the process of going to market effectively. At its simplest, the disgruntled employee produces the disgruntled customer. Tom Bonoma (1990) summarizes this point succinctly: “*treat your employees like customers, for your customers will get treated like employees*”.

However, it is apparent that successfully exploiting the linkage *between* employee and customer satisfaction may not always be straightforward. Research into the way in which customer satisfaction is measured and managed in British companies is revealing (Piercy, 1995). Studies suggest that:

1. There is a need to create clarity for all employees regarding customer service quality policies and customer satisfaction targets. It is not enough to pay lip-service to these ideals and to expect success in attaining them. The starting point must be to identify what has to be achieved in customer satisfaction to implement specific market strategies, and to position the company against the competition in a specific market. It is unlikely that achieving what is needed will be free from cost. We need to take a realistic view of the time needed and the real costs of implementation in aligning the internal market with the external market.

2. Internal processes and barriers suggest the need to consider both the internal and external markets faced in implementing customer satisfaction measurement and management systems. To ignore the internal market is to risk actually damaging the company's capacity to achieve and improve customer satisfaction in the external market. If, for example, management uses customer feedback in a negative and coercive way, then it may reduce employee enthusiasm for customer service, or create "*game-playing*" behaviour where people compete for "*Brownie points*" in the system at the expense of both the company and the customer. This said, we have also to recognize not just the complementarity between internal and external markets, but the potential for conflict of interest. Achieving target levels of customer service and satisfaction may require managers and employees to change the way they do things and to make sacrifices they do not want to make. This may take more than simple advocacy or management threat.

3. Related to the above argument, recognizing the internal market suggests that there may be a need for a structured and planned internal marketing programme to achieve the effective implementation of customer satisfaction measurement and management. This has been described elsewhere as "*marketing our customers to our employees*" (Piercy, 1995), and can be built into the implementation process to address the needs of the internal customer and to confront the types of internal processual barrier we have encountered.

4. Also related to the recognition of the internal market, is the need to question the relationship between internal and external customer

satisfaction. This can be discussed with executives using the structure shown in Figure 1. This suggest four possible scenarios that result when internal and external customer satisfaction are compared:

- (a) **Synergy**, which is what we hope for, when internal and external customer satisfaction are high, and we see them as sustainable and self-regenerating. As one hotel manager explained it: *“I know that we are winning on customer service when my operational staff come to me and complain about how I am getting in their way in providing customer service, and tell me to get my act together!”* This is the *“happy customers and happy employees”* situation, assumed by many to be obvious and easily achieved.
- (b) **Coercion** is where we achieve high levels of external customer satisfaction by changing the behaviour of employees through management direction and control systems. In the short term this may be the only option, but it may be very difficult and expensive to sustain this position in the longer term, and we give up flexibility for control.
- (c) **Alienation** is where we have low levels of satisfaction internally and externally, and we are likely to **be** highly vulnerable to competitive attack on service quality, and to the instability in our competitive capabilities produced by low staff morale and high staff turnover.
- (d) **Internal euphoria** is where we have high levels of satisfaction in the internal market, but this does not translate into external customer satisfaction – for example, if internal socialization and group cohesiveness actually shut out the paying customer in the external market. These scenarios are exaggerated, but have provided a useful way of confronting these issues with executives.

		External customer satisfaction	
		High	Low
Internal customer satisfaction	High	Synergy	Internal euphoria
	Low	Coercion	Alienation

Figure 1. Customer satisfaction: the internal market and the external market

5. A critical mistake is to ignore the real costs and challenges in sustaining high service quality levels and the limitation which may exist in a company's capabilities for improving customer satisfaction levels. While advocacy is widespread and the appeal is obvious, achieving the potential benefits requires *more planning and attention to implementation realities than is suggested by the existing conventional literature*.

As well as customer care training and a focus on service quality, internal marketing may also be seen as internal communications. In fact, the largest growth in this area has been investment by companies in broader internal communications programmes of various kinds – where “*communications*” is understood as providing our employees with information and delivering messages which support the business strategy. The goal is to build both understanding and commitment. Conventionally, these activities tend to be a responsibility of the human Resource Department (Mitchell, 1994a). Indeed, Mitchell (1994h) suggests that internal communications is becoming one of the most important tools available to companies to hone competitive edge:

- for the delivery of brand promises;
- for improving levels of customer service;
- for faster and better innovation; and
- for smooth yet rapid organizational, technological and cultural change.

Somewhat different is the use of the internal marketing framework to place, and gain use of, innovations like computers and electronic communications in the IT field. These applications use tools of market analysis and planning to cope with and avoid resistance and to manage the process of change. This may be particularly important where the effectiveness of a marketing strategy relies on the adoption of new technologies and ways of working. The argument here is that People in an organization are ‘customers’ for our ideas and innovations. This view encourages us to consider:

- **looking at customer needs** – even in hierarchical companies people are not robots waiting to be told what to do, so making the effort to understand their needs increases the likely effectiveness of innovation;
- **delivering the goods** – the needs of customers tell us what matters most to them;
- **raising unrealistic expectations** – is as dangerous with internal

customers as it is with external customers (Divita, 1996).

Lastly, we should note the use of strategic internal marketing (SIM) as an approach to the structured planning of marketing implementation and analysis of underlying implementation problems in an organization. This form of internal marketing is a direct parallel to our conventional external marketing strategy and marketing programme, which aims at winning the support, co-operation and commitment we need inside the company, if our external market strategies are to work. This is a somewhat different view of internal marketing compared to those discussed above, although it is informed by the other types of internal marketing which have a longer history. The key underlying issue here is the organizational and cultural change needed to make marketing strategies happen.

A structure for an internal marketing programme is shown in Figure 2. The underlying proposal is that the easiest way to make practical progress with this type of internal marketing, and to establish what it may achieve, is to use exactly the same structures that we use for planning *external* marketing. This suggests that we should think in terms of integrating the elements needed for an internal marketing mix or programme, based on our analysis of the opportunities and threats in the internal marketplace represented by the company with which we are working. This is shown in Figure 2 as a formal and legitimate part of the planning process.



Figure 2. Internal and external marketing programmes

In fact, in this model, we take the internal marketing programme not only as an *output* of the planning process and the external marketing programme, but also as an *input*, i.e. constraints and barriers in the internal marketplace should be considered and analyzed as a part of the planning at both strategic and tactical levels. For the proposals to make sense in practice, we rely on this iterative relationship.

The starting point for this approach is that the marketing strategy and the planning process may define an external marketing programme in the conventional way, and less conventionally the internal barriers suggest that some external strategies are not capable of being implemented in the time-scale concerned, and we have to feed back into the planning process the message that some adjustments are needed while there is still time to make those adjustments to plans.

More positively, however, it is equally true that our analysis of the internal market may suggest new opportunities and neglected company resources which should be exploited, which in turn impact on our external marketing plan and thus on the planning process. What we are trying to make explicit for executives is the need to balance the impact of both internal and external market attributes on the strategic assumptions that they make in planning.

The structure of such an internal marketing programme can be presented in the following terms:

- **The product:** At the simplest level the ‘product’ consists of the marketing strategies and the marketing plan. Implied, however, is that the product to be “sold” is those values, attitudes and behaviours which are needed to make the marketing plan work effectively. These hidden dimensions of the product may range from increased budgets and different resource allocations, to changed control systems and criteria used to evaluate performance, to changed ways of handling customers at the point of sale. At the extreme the product is the person’s job – as it is redefined and reshaped by the market strategy so it will make people’s working lives more enjoyable. There may also be negatives – changes people will not like, which brings us to Price.
- **The price:** The price element of the internal marketing mix is not our costs, it is concerned with what we are asking our internal customers to “pay”, when they buy in to the product and the marketing plan. This may include the sacrifice of other projects which compete for resources with our plan, but more fundamentally the personal

psychological cost of adopting different key values, and changing the way jobs are done, *and* asking managers to *step* outside their “*comfort zones*” with new methods of operation. *The price* to be paid by different parts of the internal marketplace, if the marketing plan is to be implemented successfully, should not be ignored as a major source of barriers and obstacles of varying degrees of difficulty.

- **Communications:** The most tangible aspect of the internal marketing programme is the communications media and the messages used to inform and to persuade, and to work on the attitudes of the key personnel in the internal marketplace. This includes not only written communications, such as plan summaries and reports, but also face-to-face presentations to individuals and groups who are important to the success of the plan. Broadly, we should remember that to assume that simply “*telling*” people will get them on our side is likely to be as naive inside the company as it is outside. We suggest it is important to consider the full range of communications possibilities and associated goals, as we would with external customers, and we should not forget to budget the time and financial costs which may be associated with these activities. At the simplest level, the purpose of our internal marketing communication may be served by a video presentation explaining *things*, or a roadshow taking the message out to the regions and the distributors. But real communication is two-way – we listen, we adapt, we focus on our audiences problems and needs.
- **Distribution:** The distribution channels element of the mix is concerned with the physical and socio-technical venues at which we have to deliver our product and its communications: meetings, committees, training sessions for managers and staff, seminars, workshops, written reports, informal communications, social occasions, and so on. Ultimately, however, the real distribution channel is human resource management, and in the lining up of recruitment training, evaluation and reward systems behind marketing strategies, so that the culture of the company becomes the real distribution channel for internal marketing strategies. In fact, Ulrich (1992) makes some radical points about this, which are worth confronting. He says that if we really want complete customer commitment from our external customers, through independent, shared values and shared strategies, then we should give our customers a major role in our:

- staff recruitment and selection decisions;
- staff promotion and development decisions;
- staff appraisal, from setting the standards to measuring the performance;
- staff reward systems, both financial and non-financial;
- organizational design strategies; and
- internal communications programmes.

In effect this means using our human resource management systems as the internal marketing channel, thus taking the internal and external customer issue *to its logical conclusion*.

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LONG CYCLES AND THE CURRENT GLOBAL CRISIS

Abstract: *This paper identifies some special characteristics of the current recession. First, it began as a crisis of debt and of asset price inflation. Second, it represents a regulatory crisis. The explosion of complex (and unregulated) financial instruments in a high debt environment exacerbated the crisis of debt. Following immediately from this and, third, it represents a massive imbalance in the global economy and a credit crunch. Forth, it represents a collapse of demand and, following from that rising unemployment. Finally, the rising unemployment exacerbates the debt crisis. This completes a vicious cycle. This paper, also, explains the crisis in the view of Kondratieff cycle. It identifies also some possible response to the financial crisis. The current cycle most likely peaked in 2000 with a possible winter phase beginning in late 2008.*

Keywords: *global financial crisis, debt crisis, Kondratieff wave cycle*

JEL Classification: *E20, E32, E66, O33*

Introduction

The financial crisis crossed national boundaries and spread from individual financial institutions to wider economy. The global financial crisis resulted from a confluence of factor sat processes at both the macrofinancial level (across financial sectors) an at the microfinancial level (the behavior of individual institutions and the functioning of specific market segments). This joint influence of both macro and micro factors resulted in market excesses and the emergence of systemic risks of unprecedented magnitude and complexity.

Some special features of the current global financial crises

Both the trigger of the global financial turmoil that started in the summer of the 2007 and its proximate causes were essentially financial in nature, and originated in a specific segment of US financial markets. However, when we look at how the crisis spread rapidly across markets and then progressively affected the real economy, not just in the

industrialised world but globally, it is immediately clear that only a much broader set of interrelated factors – macroeconomic as well as financial – could have generated a crisis of these proportions.

In attempting to disentangle these factors, one should avoid the temptation to look for simple reductionist approach, leading to mono-causal explanations. The global financial crisis has now moved from containing the contagion to coping with the global recession.

There are some special characteristics of the current recession. Unlike recent episodes of recession this is not just a case of an asset bubble bursting with implications for some financial institutions and an accompanying contraction of demand which could be addressed by automatic stabilizers on the fiscal side and a monetary policy that cut interest rates. This recession is a far more complicated entity. First, there was an asset bubble caused by a glut of savings in the global economy and the US's inexhaustible appetite for debt. Thus the savings glut which led to low interest rates largely financed excessive US consumption – not investment. This led to a substantial hike in asset prices (particularly home prices), aided by the commodities boom following strong growth performance in emerging economies. The debt spiral that this resulted in has been well discussed in the literature – suffice it to say that when bad mortgage debt started being recalled (the so called subprime crisis) it was quickly realized that there was a general credit crisis following from the existence of vast sums of toxic assets in the balance sheets of banks and other financial institutions.¹ As a result, the collateral backing of many credit advances started being questioned and credit froze. This led to a collapse of demand and rising unemployment – all in a vicious cycle. In a series of influential papers, Carmen Reinhart and Kenneth S. Rogoff have studied the historical record of countries experiencing severe financial crises. They report that real housing price declines average 35 percent stretched out over six years from peak to trough, while equity price collapses average 55 percent over a downturn of about three and a half years. The unemployment rate rises by an average of 7 percentage points over the down phase of the cycle and output falls by an average of over 9 percent. The real value of government debt tends to explode, rising an average 86 percent, because of lost tax revenues. [Carmen Reinhart and Kenneth S. Rogoff, (2009)]. Reinhart and Rogoff also find that the historical patterns of banking crises in middle-to-low-income countries have been similar to those in rich countries. [Carmen Reinhart and Kenneth S. Rogoff, (2008)].

Thus, as distinct from most recessions in the recent past the current deep recession represents a combination of many factors:

- a crisis of debt and of asset price inflation (easy access to credit, relaxed lending standards)
- a regulatory crisis: inadequate regulations (regulations did not keep pace with innovations in financial products, leading to much higher complexity, poor transparency and greater risk)
- complex credit derivatives: the invention and use of complex derivatives such as CDOs (Collateralized Debt Obligations) made it difficult to identify and contain the subprime problem, once default rates began to rise.

Increasing use of new global financial instruments – spread out risk (but heightened risk) + reduced transparency (opacity of markets: the counterparty risk)

Another explanation of the financial crisis in the view of Kondratieff Wave

The economic literature debates about crisis as a turning point of the economic cycle.

Kondratieff's works were first translated into English in the early 1930's when it was discovered that he had accurately predicted not only the thirties depression, but also the speculative orgy that preceded it. During the 1930s considerable research was done on business cycle theory, culminating in Joseph Schumpeter's extensive two volume work on the subject. Later, with the advent of Keynesian stimulative policies and their progressive effect on the economy, Kondratieff's ideas as well as business cycle theory slipped back into obscurity. Not until the early 1970's, when growth faltered and stimulative monetary policies began to produce inflation similar to that of the 1920's, were his ideas rediscovered. Not only were Kondratieff's theories valid, but they actually predicted the course of today's economy - 60 years in advance.

A simplified and updated sequence of Kondratieff Waves can be seen as follows^{2,1}:

First Industrial Revolution (1800-1850) – innovation: Cotton based technology; spinning weaving etc.; saturation point: 1810 - end of Napoleonic Wars

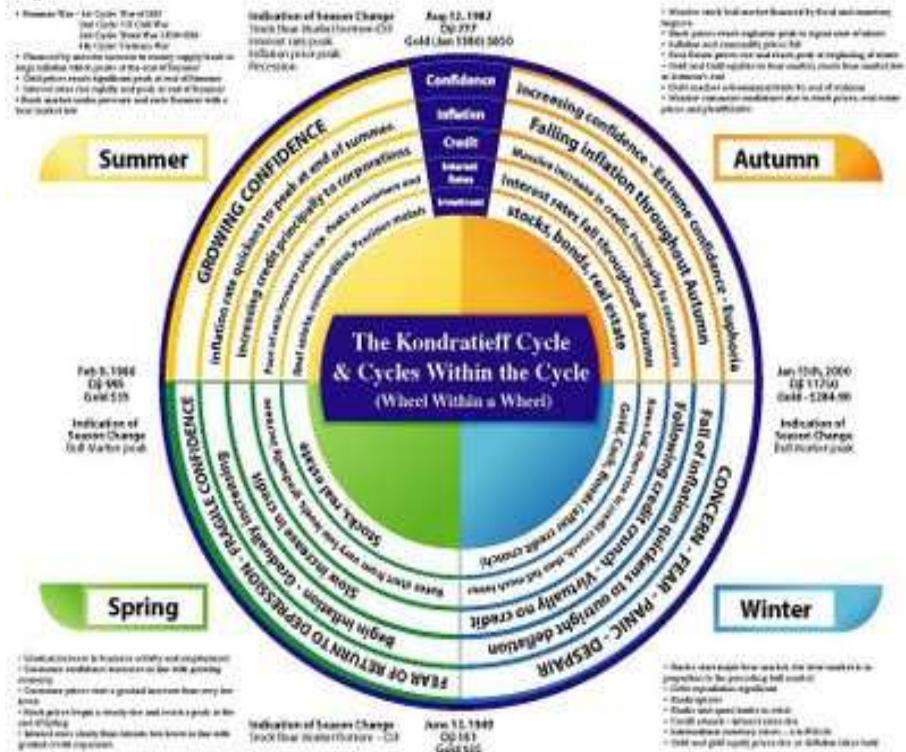
Second Industrial Revolution (1850-1900) - innovation: Age of steam; railways, shipping, heavy industry, iron and steel etc.; saturation point: 1870s

Third Industrial revolution (1908-1947) - innovation: Petrol chemicals, internal combustion engine, electrification.; saturation point: Inter-war slump 1920s and 30s

Post-war Boom (1947 – 1991) – innovation: Consumer goods, electronics, etc.; saturation point: 1973

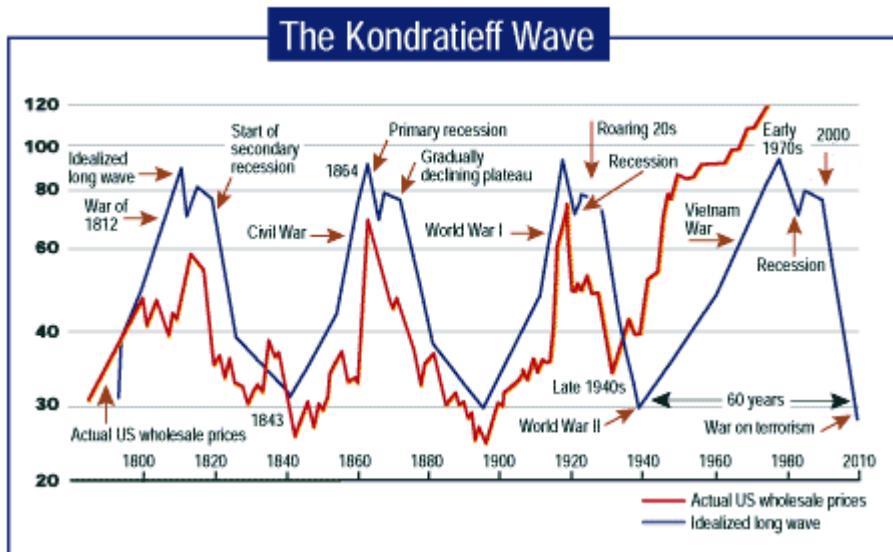
Contemporary Era (1991 – present) – innovation: The Internet, mobile technologies, bio-technologies etc.; saturation point: 2010s

The Kondratieff wave cycle goes through four distinct phases of beneficial inflation (spring), stagflation (summer), beneficial deflation (autumn), and deflation (winter). Since, the last Kontratieff cycle ended around 1949, we have seen beneficial inflation 1949-1966, stagflation 1966-1982, beneficial deflation 1982-2000 and according to Kondratieff, we are now in the (winter) deflation cycle which should lead to depression.



<http://northcoastinvestmentresearch.wordpress.com/2009/02/02/the-kondratieff-cycle/>

Kondratieff identified the winter with economic depression. The economic excesses of the previous period produce a collapse of the price structure. The exhaustion of the cumulated wealth forces the economy into a strong contraction; generally the secondary depression implies a collapse of three years followed by a fifteen years period of deflation. The best way to see this process is in interest rates and wages. These periods were supposed to clean the economy from the previous excesses and form a base for future growth. In this period there is growing innovation, a process in which the technologies of the autumn are refined, become cheaper and more known and implemented. This innovation makes the different industries stronger. At the end of winter there is a final recession before the transition to a new stage of growth; this final recession is mild with low inflation and is remembered afterwards as much harder than it really was. The key issue is that the technological innovation provides a frame for a new social integration with new social values and goals, in this view K-cycle is more than just a simple economic process, includes social changes as the capitalism adapts once more.



http://www.kondratieffwinter.com/kw_wave.html

The current cycle most likely peaked in 2000 with a possible winter phase beginning in late 2008. The Austrian-school economists point out that extreme price inflation in the absence of economic growth is a form

of capital destruction, allowing either stagflation (as in the 1970s and much of the 2000s during the gold and oil price run-ups) or deflation (as in the 1930s and possibly following the crash in commodity prices beginning in 2008) to represent a recession or depression phase of the Kondratieff theory.

Probably Kondratieff's greatest contribution to the science of investment is not his observation the world economy operates in long cycles. Cycles would suggest a repetitive nature to events. While the underlying economic conditions will repeat over time due just to the physical nature of our world, our reactions will always be tempered by knowledge and experience. The history of man has been one long climb higher. Kondratieff recognized progress as the irreversible trend.

Imposed upon our progressive nature are the physical limits of life. It is the interaction of these physical limits with our dreams and aspirations that creates the constant push pull of the economy known as the Long Wave.

Conclusion

There has been an increasing disconnection between the real and financial economies in the past few years, with the latter growing at a much faster pace.

There is no denying that weaknesses and failures in financial markets played a major role in the build up to the crises. Over the last decade, financial innovation has been organized to transform illiquid and risky instruments into – apparently – safe and liquid assets. That unsustainable process has abruptly come to an end with the burst of the credit bubble. During that period, rating agencies, accounting rules, unregulated and off balance sheet entities as well as very poor risk management all contributed to fragilize our financial systems. Those weaknesses are at the origin of the crisis. Thus, as distinct from most recessions in the recent past the current deep recession represents a combination of many factors. First, it began as a crisis of debt and of asset price inflation. Second, it represents a regulatory crisis. The explosion of complex (and unregulated) financial instruments in a high debt environment exacerbated the crisis of debt. Following immediately from this and, third, it represents a massive imbalance in the global economy and a credit crunch. Forth, it represents a collapse of demand and, following from that rising unemployment. Finally, the rising unemployment exacerbates the debt crisis. This completes a vicious cycle. And, more, if you look at the place that global

economy occupies in the view of Kondratieff Wave (this has already anticipated the crisis), we have the whole picture of the current period.

Notes:

¹ Jha, Raghendra, *The Global Financial Crisis and Short-Run Prospects for India* (April 20, 2009). Available at SSRN: <http://ssrn.com/abstract=1392537>

² http://en.wikipedia.org/wiki/Kondratiev_wave

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NEW AND PAST CRISES: RESEMBLANCES AND DISSIMILARITIES

Abstract: *Economic crises are a recent research topic in modern economics. However, one may address the crisis in different contexts and in different time and historic moments. We review below the most important crises that humankind had faced in the past century, aiming at discovering similarities with the current financial crisis, which may help in formulating the appropriate measures and policies for preventing future major financial turbulences.*

Key words: *financial crisis, capital markets*

JEL Classification: *D53, G01, G15*

Almost nobody remembers today that the global economy was shaken not long ago by a series of financial crises in emergent markets – Mexico in 1994, South-East Asia in 1997, Russia in 1998, Brazil in 1999 and Argentina in 2000-2001. There should have been lessons learned by governors and market operators from these crises, particularly if we take into account the fact that the current financial crisis bears at least two similarities with these crises: on one hand, the underestimation of risk undertaken by banks, especially investment banks, and, on the other hand, the governmental interventions materialized by money injections and nationalization that permitted the moral hazard to fully manifest itself.

The crises of the past century were all different and all similar. Radelet and Sachs (1998) advance a taxonomy of financial crises, building on a number of characteristics that may be seen as the main initiating causes of financial crises: (1) a speculative attack on the exchange rate – here one has to differentiate between the attacks based on „fundamentals” deterioration and the pure speculative attacks -; (2) a financial panic; (3) an asset bubble burst; (4) a hazard moral crisis, under the form of implicit or explicit bail-outs; and (5) the acknowledgment of a

threatening debt, followed by wrong measures. The main obstacle in predicting, preventing and solving financial crises is that they have not only one, but many of these characteristics.

Although crises may be similar, there is no credible situation, determined by just one cause, and for each crisis the nature of the causes' interaction is unique. For example, when we analyze the 1997 Asian crisis, it cannot be categorized as "financial panic" without recognizing the critical factors played by the fixed nominal exchange rates, the real estate price bubble and the moral hazard that led to the uncontrolled behavior of lenders.

The United States **1907 Panic** was generated by the banking system collapse confronted with massive withdrawals determined by the economic recession at the time, bankruptcies and a dramatic decline of trust in banks. At the time no guaranteeing "official" institution existed (the Federal Reserve was created in 1913). The DJIA index collapsed in March 1907, then again in October, when the US Treasury and JP Morgan collaborated to restore the equilibrium in the economy through the first bail-out that provided the needed liquidity in the banking system.

The **Great Depression** (1929-1933) was the worst worldwide economic breakdown so far. It had as a starting date October 29, 1929 (the Black Tuesday) and lasted for about a decade. The main cause of the Great Depression is considered to be the combination of the unequal distribution of wealth and the extensive market speculation that took place throughout the 1920s. On one hand, money was unequally distributed not only between rich and middle-class, between industry and agriculture, but also between United States and Europe, which created an unstable economy. On the other hand, market speculation overvalued artificially stocks and led to large market crashes.

In order for an economy to properly function, total demand must equal total supply. But when wealth is not adequately distributed, it is not certain that demand will always equal supply. In the 1920s there was an oversupply of goods. It was not that these goods were not needed. But on one hand those that had money were satiated; on the other hand those that needed the goods could not afford to buy them. One solution was to offer to people the possibility to buy on credit. By the end of the 1920s, 60% of cars were bought on credit and the automotive industry was the driving force behind many booming industries in the 1920s.

Another prosperous business in that decade was the one dependent upon the radio business. During the World War I both the automobile and

radio were improved; money was available due to credit; governments favored industries as opposed to agriculture. All these factors led to the concentration of wealth into the automotive and radio industries. The economy became reliant upon these industries to expand and grow and invest in order to prosper. When these industries slowed down, so was the economy.

The economic activity soared between 1920 and 1929: the industrial production index rose by 41%, while the average annual growth rate of US GDP was 4.6%. Nevertheless, according to the National Bureau of Economic Research, this overall growth period was marked by three smaller recessions the first one lasted 18 months, between January 1920 and July 1921, the second one took place between May 1923 and July 1924, and the third one between October 1926 and 1927, but none of them had serious economic consequences. For what concerns the stock market, it spectacularly grew for eight years before 1929: the Dow Jones rose by more than 600%, from 63.9 points in August 24, 2001, to 381.17 points in September 4, 1929.

In October 1929, the stock market fell by 40%, with two days that were destined to forever remain in the investors' memory: October 24th – Black Thursday – the day that marked the trend reversal from bullish to bearish, and October 29th – Black Tuesday – the most devastating day in the entire United States stock market history, which cancelled the market growth in the previous year. Between October 29th and November 13th, 30 billion US dollars evaporated from the market, an amount comparable to the United States expenses during the First World War. In the following three years, the Dow Jones index lost 89% of its value, declining from 381.17 points in September 3rd, 1929 to 41 points in July 5th, 1932.

Officially, the crisis lasted from August 1929 until March 1933, and the US GDP dropped from 87 billion US dollars in 1929 to 40 billion US dollars in 1933. For what concerns the banking sector, if before the crisis a number of four to five banks appeared daily, during the crisis the bankruptcies mounted to approximately two per day. The end of the crisis coincided with Franklin D. Roosevelt arrival at the White House, who came with a plan that is known as “The New Deal”. The plan is one of the most famous in the entire economic history and it tremendously help the American economy and not only to recover from the crisis. Among the critical measures taken through this plan is the foundation of the Reconstruction Finance Corporation, an entity that provided liquidity to the financial system, the adoption of the Securities and Exchange Act,

which regulated margin trades and created the legal framework for the loans that banks were allowed to make for such trades, and the Glass-Steagal Act that separated commercial banking and investment banking. The US economy fully recovered after the crisis only in 1940.

If there is a consensus on why the contraction began in 1928-1929 in the United States, there is less agreement regarding its length and severances in other countries. A major instability also existed at the international level, with an imbalance in the wealth distribution: while America was prospering in the 1920s, Europe was struggling to rebuild its economy after the World War I. The depression had devastating effects in almost all countries: international trade, personal income, prices and profits felt by half to two-thirds. Cities, especially those dependent on heavy industry, were hardly hit. Constructions stopped and farming and rural areas suffered from the decline by 60% in the price of crop.

The **1973 oil crisis** was not stimulated by the financial system weaknesses, but it was a consequence of turbulences in geopolitical relations at the global level. The crisis started in October 15th, 1973, a day when OAPEC (Arab countries from OPEC, together with Egypt and Syria) decided to put a halt on oil deliveries to United States and developed countries – particularly the Netherlands – which had helped Israel during the Yom Kippur war. It was for the first time in history when a natural resource had been used as weapon and, following the embargo, the oil price rose quickly from 3 US dollars per barrel to 12 US dollars. The importing countries were seriously affected, especially if we think about the crisis coming in a time when the Bretton Woods Agreement on fixed exchange rates was collapsing. Nevertheless, the oil crisis was the starting point for a new manner of approaching the energy consumption at the global level.

The **crash of October 1987** started with the day that knew the largest stock market drop in history: October 19th, also known as Black Monday. Even in 1986, the US economy began to show signs of weakness after a previous explosive economic growth, but the DJIA index reached its highest level of 2,722 points in August 1987, which represented 44% more than its value at end 1986. From the market opening on October 14, 1987 until the market close on October 19, all indexes of market valuation in the United States dropped by 30% or more. The DJIA declined by 22.6% in one day, thus leading to a drop of 500 billion US dollars in market capitalization. Also, all major world indexes declined substantially

in October 1987, showing the first confirmation of the financial globalization effects.

Research has tried since then to discover the origins of the crash, but no clear cause has been singled out. Clearly, the strong market decline in October 1987 came after an unprecedented market increase during the first nine months of 1987 and before. Sornette (2003, p. 5) makes a review of the main explanations provided in the literature for the crash: (1) Computer trading – in this type of trading, computers are programmed to automatically order large stock trades when certain market trends prevailed, in particular sell orders after losses; (2) Derivative securities – index futures and derivative securities have presumably increased the volatility, risk and uncertainty in the market; (3) Lack of liquidity – during the crash, the large flow of sell orders was not properly handled by the trading mechanisms of financial markets and many common stocks in the New York Stock Exchange were not traded until late the morning of October 19 because the specialists could not find enough buyers willing to purchase the stocks that were on sell; (4) US trade and budget deficits – in the third quarter of 1987 the United States recorded the largest trade deficit since 1960, which coupled with the state budget deficit, might have made investors to anticipate a fall in the US stocks compared with foreign securities; (5) Stock overvaluation – before the crash the price-to-earning (PER) ratios and the price-to-dividend ratios were at historically high levels, which indicates a significant stock overvaluation at the time. Taleb (2007) advances the “Black swan” theory as a possible explanation of the crash: this refers to a rare event, with a major impact, hard to predict, beyond the normal expectations horizon.

The Mexican “**Tequila crisis**” in 1994 was the preamble of a number of crises that affected emerging markets at the end of the century. In the years before the crisis, the Mexican economy expanded considerably, in a framework of fixed exchange rate and, unfortunately, quickly growing economic disequilibria. The budget deficit rose to an unsustainable level following the wages and pensions growth. The new president elected at the end of 1994 decided to let the Mexican peso float, which led to a depreciation of 80% of the currency against the US dollar in just one week in December 1994 (from 4 to 7.2 pesos per US dollar). The United States government intervened by purchasing pesos directly from the foreign exchange market and by granting a 50 billion US dollars loan to the Mexican government, in an attempt to rescue the economy.

The calm returned in three weeks, when the exchange rate stabilized at 6 pesos per one US dollar.

The **1997-1999 Asian Crisis** began in Thailand, in July 1997, when the government decided to let the exchange rate float and the baht massively devalued against the US dollar. With an enormous foreign debt, Thailand almost collapsed, and the crisis was over night transmitted to the region, including Japan. The most affected countries were Korea, Indonesia and Thailand, which were bailed-out by an IMF rescue package of 40 billion US dollars, mainly addressed to the countries' efforts to stabilize their exchange rates. The economies started to recover only approximately two years after, in 1999.

The **1998 Russian financial crisis** had its roots in the Asian crisis, which generated the decline in commodities' prices, mainly the ones that were prominent in Russia's exports (oil, gas and metals). In a framework of budget revenues drop in the previous years, the government was forced to issue bonds before 1998 to cover the budget deficits, but the mechanism itself was the one that led to the crisis: effectively, the Russian government issued new US dollars denominated bonds to service its foreign debt, therefore accumulating more and more debt. In August 1998 this type of pyramidal financing collapsed, the Russian government announced its inability to service its debt, and the stock market and the exchange rate dropped. Moreover, the Russian crisis led to the default of one of the largest hedge funds, Long Term Capital Management, which sent the swap and credit markets in crisis. In the process some of the largest global financial institutions suffered tremendous losses. The Russian economy started to recover only at the beginning of 2000.

The **Argentina economic crisis in 1999-2002** actually began during the 1980s and 1990s, a time that saw the country coping with a military government, a war with the United Kingdom, a galloping inflation that reached to 200% per month in July 1989 and an unsustainable level of the public debt. In 1999 banks were confronted with massive withdrawals, fuelled by population's attempts to exchange the pesos to US dollars and transfer them abroad. When the government froze bank deposits for a year, violent popular rebellions emerged, the fury being directed towards banks and American and European companies that were operating in Argentina. If before 1999 the exchange rate was fixed at a rate of 1 peso per 1 US dollar, after floating the rate increased to 4 pesos per 1 US dollar. Only in 2002-2003 the situation normalized.

The **2000 Dot.com bubble** in the United States was the consequence of massive listing of Internet service companies, such as Amazon or AOL, on stock exchanges, which initially were thought of opening a new era for the global economy. The shares issued by these companies grew spectacularly after their IPOs on NASDAQ, despite the fact that only a few of these companies were actually able to generate profits for their shareholders. The boom reached its peak when AOL bought Time Warner for approximately 200 billion US dollars in January 2000, but the bubble burst in March 2000, when the NASDAQ index dropped by 78% until October 2002. The fall had serious repercussions, from a general decline in investments and the slowing down of the American economy during the next year, these being exacerbated by the terrorist attacks in September 2001, which led to the temporary closure of financial markets. In order to stabilize the markets and to stimulate economic growth, the Federal Reserve gradually reduced the interest rate in 2001 from 6.25% to 1% during 2001.

From this review of the most significant turbulent times in financial markets during the past century, we may see that there are interdependent variables that act as a propagation mechanism of a specific economic trend in the context of market volatility. The measures and policies adopted by authorities, aimed at bringing to an end of these disequilibria are rather often influenced by independent variables, which start from various taxonomies, moments and resources. One may observe that, in specific circumstances, similar measures of economic policy are being taken, but using different instruments of the market or markets that are concerned.

The **current financial crisis** started with the breaking of the real estate bubble in 2004, after a long period in which prices of houses grew continuously. Many economists and experts were announcing at the time about the dangers to come, but nobody seemed to take them into account. All industries were making profits: construction companies, real estate agencies, banks. People were happy that they were able to buy a house. In fact, real estate industry was no more under the supervision of the government, after several decades when deregulation was steadily implemented by the Republican administration.

In 2005-2006, it was the time for the US economy to crash. Interest rates for subprime mortgages recorded huge increases and many debtors were unable to service their debts. Due to the fact that banks used the

mortgages to refinance themselves, by selling the mortgages to other investors, the crisis spread in the whole system. The new financial products based on loan securitization became so complex and ambiguous that few investors understood how “toxic” these assets actually were. By 2007, 1.3 million properties were unable to pay their debts, up by almost 80% compared to 2006, and nobody was able to envision who were the owners of the debt, being spread all over the whole global financial system. Banks refused to refinance themselves, which had degenerated in a credit crisis and a period of very low liquidity in the market.

Losses started to multiply, so that in February 2007 the first US banks went bankrupt. Bear Stearns was the first bank to announce the bankruptcy of its hedge funds. Stock markets started to fall, announcing the spread of the crisis. In August 2007, BNP Paribas was announcing the closing of three investment funds that were exposed to the subprime mortgages. The European Central Bank was flooding the market with 95 billion euro and the Federal Reserve with 24 billion US dollars. Also, the central banks of Japan, Switzerland and Canada were announcing interventions in the market. Stock markets fell again, and central banks injected extra liquidity in the market. Bank of England has provided an emergency loan to Northern Rock, trying to avoid its bankruptcy. Short after, UBS, the largest bank in Switzerland, was announcing the devaluation of its assets by 2.4 billion euro due to its exposure to the subprime market. Citigroup was also affected by the crisis. At the beginning of 2008, FED was exceptionally reducing the interest rate to 3.5%. Northern Rock was nationalized by the British Government and central banks were putting new money in the market.

In March 16th, 2008, JP Morgan Chase was acquiring Bear Stearns for only 236 million dollars. One week later, the price became four-fold. At the end of July 2008, major banks and financial institutions have reported cumulated losses of 435 billions of dollars. On September, 7th, 2008, the US Treasury announced that it took over Freddie Mac and Fannie Mae. International stock markets valued it as a positive measure.

At the same time, the investment bank Lehman Brothers started the procedures for bankruptcy, being unable to convince the Federal Reserve to save it. Simultaneously, another major American bank, Bank of America, was taking over Merrill Lynch for 50 billion dollars, and AIG, the insurance giant, was saved during the same days by the US government that provided it with an 85 billion dollar loan with a maturity of two years. If AIG, with assets of 1000 billion dollars and 116,000

employees in 130 countries, would have been let to go bankrupt, it would have been the largest crash in the US history. Shocks that could have been created would have been far more significant than those created by the collapse of Lehman Brothers.

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ROMANIA – 2009 ECONOMIC OVERVIEW, DATA AND FACTS

Abstract: *General trend is the decline of the European Union economies and financial markets hit by banking instability. In this context, although Member State, Romania is evolving somewhat isolated, saying record growth rates of GDP and previzionand as in 2009 the economy will be as dynamic. It is a realistic scenario? Romania is not yet fully integrated European financial mechanisms. At this delicate moment, we could consider that this partial isolation becomes from a handicap an advantage for us preserving from contamination germs of crisis? Despite improvements in perception for the CEE area, individual assessments of countries in the area worsened, remained, however, positive in most countries.*

Key words: *sustainable development, crisis, risks*

JEL Classification: *G32, Q56, R13*

1. Estimations and forecasts

The economic situation was worse this year than what was provided. In March, GDP forecast was -4.9%. Now the IMF officials believe that the decline will be between -8 and -8.5%. Inflation will be higher than expected, around 4.3% at the year end. Balance of payments is a curve faster than initially expected because of production decline.

The current account deficit will be 5.5%, compared to 7.5%, as was expected, because external international economic situation worsened more than was anticipated and domestic demand was weaker than anticipated. The -8 or 8.5% represents a severe recession, but it should be noted that most of the facts leading to this situation reflects what has happened before, not what will happen in the future.

Romania's budget deficit is estimated at a level "less than 6% of GDP in 2010, provided that the adjustment effort budget for next year" should be 2-2.5% of GDP, but correlated with a development of the economy will remain weak.

Estimations for 2010 shows that additional effort for the budget will be 2-2.5% of GDP. The budget deficit will reach 7.3% of GDP in 2009 - IMF estimations and 7.7% Moody's estimations -, less than 6% of GDP in 2010. Adjustment 2-2.5% it will not reflect this drop, as the evolution of the economy remains weak.

The 2007-2013 economic forecasts for Romania are based on the assumption that the economic growth of her main trading partners will not significantly decline and that the international business environment will remain stable. EU accession in 2007 will accelerate Romania's social and economic development. Human resource development, together with increased domestic capital will be needed to support continuous and sustainable growth, in line with world trends, i.e. globalization, development of IT&C technologies and environment protection.

According to the macroeconomic forecasts of the National Commission for Prognosis, Romania's GDP will increase on average by 6%, with the possibility of recording above the average rates at the beginning of the period. This will lead to a reduction in the economic and social differences between Romania and EU member states. The economic growth will be based on the domestic demand, especially on Government's investments (including those financed with the support of the EU funds). The increase in the final consumption will diminish after 2007 to an annual average rate of 5.9%. The net exports will keep their negative contribution at the GDP growth, about 2%.

Investments will increase, fuelled by the domestic and foreign financing, together with the opportunities presented by European funding. The gross fixed capital formation will increase by an estimated average annual rate of 11.4%. Under these circumstances, the investment rate will increase from 23.6% of the GDP in 2006 to 30.8% in 2013. The contribution of the Structural Instruments, as resulted from the macroeconomic impact assessment, carried out with HEROM model, would be an additional increase of 28.4% in the level of investments by 2013.

Foreign trade is expected to continue to develop at a sustainable rate, higher than the GDP growth. It is expected that, in the context of Romania's membership to the EU, geographical orientation of trade flows

will lead to reinforcement of the position of EU member states as main trading partners. Exports of goods and services will increase, on average, by 8.2% annually, while imports of goods and services imports will increase by 10.9%, which will negatively influence the trade balance.

From the supply point of view, it is estimated that constructions and services will have higher increase rates as compared to the average GDP growth rate (Table 1).

Table no. 1 GDP per Sectors - percentage changes –

GDP	Average rate 2007-2013 (%)
Industry	5.3
Agriculture	2.7
Constructions	10.8
Services	6.0
Gross Domestic Product	6.0

It is estimated that the ratio of the current account deficit to the GDP will decrease from 10.3% in 2007 to 8.4% in 2013. The integration into the EU will create a solid basis for ensuring the sustainability of the current account deficit, both through the important FDI inflows and by the use of the transfers from the EU (e.g. Structural Instruments).

For the period 2007-2013, the bringing down and maintaining the inflation between 2-3% is an important objective within the context of meeting the Maastricht criterion of nominal convergence. Romania's recent track record in controlling inflation sustains an evolution of price growing under the maximum level, starting 2010.

On medium term, during 2007-2009, it is estimated that the disinflation process would continue due to the maintenance of the tight monetary policy and to the promotion of real positive interest rates. Moreover, the gradual reduction of the increase of administered prices, promotion of a cautious salary policy and continuing of the structural reforms will keep the disinflation process on a sustainable trend. Furthermore, the acceleration of disinflation process will help the additional decrease of the inflationary expectations. Another efficient way to anchor the inflationary expectations will be to keep steady the trend of real appreciation of the national currency related to Euro. This is possible if it is taken into account the perspective of a more accelerated increase in

the labor productivity in the Romanian economy as compared to the foreign partners.

Given the need of implementing the additional structural reforms in order to ensure the capacity and flexibility of the Romanian economy to cope with asymmetric shocks, Romania will not be in a position to join the Euro zone earlier than 2012.

Human resource development, within a global labor market, was an important factor taken into account when these projections were made. Romania's population will continue to decrease, as the birth rate continues to decline. The labor force will grow and the employment rate will reach around 6-7% until 2013 (Table 2).

Table no. 2 Labor force

	2006	2006	2007	2008	2009	2010	2011	2012	2013
	<i>- percentage changes as compared to the previous year -</i>								
Labor force ¹	-1.1	0.1	0.2	0.2	0.2	0.3	0.5	0.2	0.3
Employment ¹	-0.1	0.3	0.3	0.4	0.4	0.4	0.7	0.3	0.4
Employees	-1.9	0.5	0.5	0.4	0.3	0.2	0.1	0.1	0.1
	• % •								
Participation rate ¹	62.4	62.4	62.6	62.7	62.8	63.0	63.3	63.5	63.8
Employment rate ¹	57.7	57.8	58.1	58.3	58.6	58.8	59.3	59.5	59.5
	7.2	7.0	6.9	6.7	6.5	7.4	7.2	7	6.7

¹ calculated for the working age population (15-64 years)

Source: National Institute of Statistics. Household Labor Force Survey (AMIGO), annual averages and National Commissions for Prognosis

Romania's entry into the EU labor market increase the mobility of labor, by losing workers in favor of the European area, on one side, and attracting additional labor force from other states, on the other side. It is envisaged that Romania will have a relatively balanced position within this process.

A recent study on the Romanian's economic migration reveals that the share of adult population who worked abroad in the past 17 years was 10%. As regards the intentions to work abroad, according to the survey approx. 11% of the Romanians aged 18-59 would like to work abroad. Furthermore, approx. 40% of the people who worked before wish to return abroad. These tendencies will maintain on the medium term, taking

into consideration that the majority of those intending to work abroad in the next two years have temporary work arrangements. The work abroad is in the most cases a strategy for a determined period, in order to accumulate financial resources to be invested in the home country. However, for the next decade, it is estimated that the number of migrant workers will have a certain decrease, as the Romanian economy develops and offers, progressively but sure, more and better employment opportunities.

It is estimated that there will be an increase in the number of employees by about 164,000 persons by 2013 compared to 2005 after economic relaunching. This figure reflects the net increase in the average number of employees on overall economy, as a result of the offset between new jobs created and staff reductions. Increases will occur especially in the services sector, which is expected to increase its contribution to the economic growth. The ILO unemployment rate will continue to decrease, reaching an estimate of 6%.

The recent changes in the employment structure, namely the reduction in agricultural employment and the raise of employment in construction and services sector, will continue in the next years. The results will be:

a reduction in non-payroll population involved in agriculture, mainly among the people aged 64 and over, by various measures including going out from the labor market;

an increase in the employed population and in particular in the number of payroll employment in the service and mainly in the construction sector.

However, some internal and external disturbing factors (such as: an unexpectedly negative evolution of the international prices, an economic growth of the EU well below the current forecasts, a lower than expected rate of EU funds absorption) could intensify their action, impeding the achievement of the economic growth objectives.

2. Risks

Some risks persist and are mainly associated to factors that could affect the domestic supply's answer to demand, such as:

- decreasing of the competitiveness of some activities having as result the decrease on domestic market and export of some products as compared to other products from European countries;

-
- delay of restructuring and investments in order to maintain the quality standards (e.g. for food industry capacities) that could affect some capacities; the problem is if the other domestic producers would take on the demand surplus or will increase imports, having effects on external deficits;
 - bad weather conditions for agriculture, reflected in reduced output;
 - much too rapidly de-location of outward processing trade in the light industry, that would delay the recovery of this branch;
 - too high annual rates of nominal increase in the salaries, which may lead to weaker performance as regards inflation and to the increase of the current account deficit (due to the more accelerated pace of consumption);
 - more accelerated increase of administered prices, with consequences on inflation and competitiveness.

In the mean time, the risks related to the external economic environment continue to be present, such as:

- an unexpected evolution, in a negative sense, of international prices, including for energy resources;
- lower than expected EU economic growth, taking into account the high weight of the exports to EU countries within the overall Romania's exports;
- the competition of less expensive products from Asia (especially of textile products and footwear).

If these risks occur, the external deficits could deepen and could become unsustainable if their coverage from domestic financial resources, capital transfers and foreign investments, respectively, would decrease.

It is estimated that such factors could negatively influence the development, by reducing the economic growth, on average, by 1 percentage point yearly, on the account of slowing down of the exports dynamic, as well as by increasing the current account deficit, whose ratio to the GDP could rise, on average, by about 1.5 percentage points yearly.

Under such a scenario, the diminishing of economic activity would be reflected in a slightly higher unemployment rate as compared to the basic scenario, as well as in reduced economic competitiveness.

Low competitiveness is one of the major factors holding back Romania's economic development. Romania's lack of competitiveness can be attributed to the following main factors:

- low productivity mainly due to the technical and technological gap;

- low levels of entrepreneurial activity and insufficiently developed management skills;
- difficult business environment, as well as inadequate and insufficient business support infrastructure;
- low/ difficult access to finance;
- insufficient investment in research and development and business innovation;
- low penetration of information and communications technologies (ICT) in business;
- substantial mismatch of skills in the workforce and the demand of a modern economy;
- severe underdevelopment of physical infrastructure.

Romania has extremely low labor productivity by European standards, with a level in 2006 of only 39.2% of the levels recorded in the EU-27 and now still lower than all EU Member States. In the manufacturing sector particularly, the less performing technologies and equipment, outdated management practices and inefficient use of energy contributed to extremely low levels of value added per worker.

The analysis carried out recognizes the needs in terms of basic infrastructure as top priority of today's Romania, considering its crucial influence on the competitiveness of the economy as well as on the mobility and health of the workforce and the general welfare of the people. The envisaged strategy was designed as to best answer to the needs for development in the field of transport, environment and energy, given the major weaknesses in these fields, as areas where there was no sufficient investment and Romania is at disadvantage compared to other countries, both at national and regional/local level. The opportunities deriving from the development of the infrastructure - such as an increased accessibility and mobility of resources and workforce as well as the challenge of transforming Romania into an attractive place to work and live in - given the impact of this type of investments in areas such as competitiveness and human resources, were determining in defining the line of action. In the process, a clear focus was placed on the already existing advantages which constitute strengths, either natural strengths – such as the geographical position or natural resources of Romania - or created strengths. Attention was also given to threats, as anticipated conditions which, if not countered could minimize the impact of the strategy in these fields.

In terms of competitiveness, the strategic objective of promoting Romanian economy as a new economy with high added value was defined considering the current stage of development of the country, the development gaps compared to the EU, as well as the EU policies and guidelines in the field. The existing strengths of Romania, such as the size of the market, as well as its strong and expanding sectors and experience in development areas were analyzed in close connection with the recognized weaknesses in terms of productivity, low entrepreneurship, poor support infrastructure and services for business, under-investment in R&D and important regional disparities. Among the key opportunities the country could capitalize on, the strategy considered the potential advantages arising from a focus of investments in higher value added sectors and from increasing productivity, coupled with SME growth and entrepreneurship development, as well as better quality business support services, increased ICT and R&D expansion. Such factors were decisive in defining the right lines of interventions to correct the weaknesses and to realize Romania's role in a global economy. The threats in the field are considerable and they need careful consideration both in the design and implementation of the strategy.

Well qualified and competitive human resources will be the key to achieving the set objectives of the NSRF strategy for a new economy. The strengths in the field, such as the degree of development of the schools and universities network and the good initial education of the large part of the labor force will be the basis on which the strategy can develop. The actions in this field will build on the existing advantages and will look to address the prioritized weaknesses such as the mismatch between education and labor supply, a low adaptability of workers and poor life long learning, inadequate guidance and counseling, poor state of social and education infrastructure, high employment in agriculture, regional and urban-rural disparities and social exclusion. The opportunities of using fully and effectively a highly competitive and well educated human resource, within a framework of stronger partnerships and inclusive (labor) market will be capitalized on with the help of the envisaged actions of the strategy. However, the threats such as the ageing of the population and the emigration of skilled labor force were identified as issues to be carefully considered during the implementation of the strategy.

3. Conclusions regarding official forecasts

We attended from 2007 to the failure of any official attempts to forecast economic. Do not go to design details of this and hope that the future will fit nicely in them. All models thrown on the market proved a growth in 2007 fragile as a sand castle when the crisis came. No rating agency has not pulled alarm that something is in the air, nor a national central bank tried to take measures to reduce the imbalances, in fact some even have increased (see NBR decision to allow new rules on lending in May loose, even on top of speculative real estate bubble).

Life, including the economy is in a constantly changing and the surest sign that would follow a small disaster is the large number of those "sure" the path that destiny, the economy, the weather, etc. Maybe this is why we went into recession in 2007, too many were ready to pawn income next 30 years convinced that they could only increase, perhaps because we know now that a slight stabilization attempt, too were many who predict Revelation in February-March. It is possible that the very belief in the soundness of most colossal inertia system and its rules to create a serious imbalance and therefore further development always found us unprepared.

Good, and that's what we did? Attempts to forecast replacement, with all their imperfections, the chance par excellence? People still need some coordinated foreseeable route that is bound to go through, by their nature itself, right? Yes, truly, this is based on the ones we provide analysis and forecasts speak governmental structures, financial and banking. Manufacturing optimism was before an honorable profession, which claimed to put brick on brick progress of humanity. But the scheme could not work indefinitely. Try to honestly answer the following questions: *Several years ago a mathematician do some simple calculations. For instance, wondered where humanity reaches maintaining their current population growth rate. Over 700 years, was that each square to have a man. And in 2500 years, Earth's mass was to be equal to that of humans! Hallucinating, right? Well, believe that humanity can continue to consume resources in the near future the same way you did it before? Where will we go with globalization if replicated the same model of Western consumerism?*

4. Addenda

With an annual fall of 7.1% in the third quarter, Romania seems to have passed the most difficult point (-8.7% in Q2) and it is likely that in the last quarter to get closer than zero. Not because the economy would look very good, but for the last quarter of last year was, in turn, badly.

INS calculates that year the declines from one quarter to another. In Q3, the economy fell by only 0.7% compared to Q2, and the same effect will probably pass in addition to Q4. Again, this does not mean very much. Strong growth, both quarterly and annual, giving trust, will appear in the best case only the next year. 2010 will probably be in terms of GDP, equivalent to 2008. But parts of the picture will look different.

When this crisis ends? Soon? Difficult answers. Anyway some things that will not be the same:

- unemployment continues to rise. Businesses will see that they are not returning profit even while economic growth will only now clarifying that the case was close. There are not few;
- wages remain frozen. Brought down to earth, companies will prefer to invest excess capital in technology;
- banks will not give credit. Not for plasma, not for cars, not for houses. Except with high rates of interests. It will give, in turn, credits for investment who has free pledges.
- customers will not return with the same enthusiasm in stores because unemployment, wages, rates of interests. And those who will return will may choose other stores;
- buildings are not more expensive. , because both banks, and customers have been burned enough. And because a large part of real estate developments so far will have to enter the market, even in loss;
- the firms could not get the same returns on investment, competition becomes sufficiently mature. But the minimum and maximum profits will vary in a much greater margin, from company to company;
- it will not work populist demagogy. It will curdle already a solid critical mass, learn to cope on their own.

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LE GÉOSYSTÈME DU NON-VIVANT À L'ESPRIT

***Abstract:** Le niveau fondamental d'organisation dont la complexité permet à l'environnement de se constituer dans des unités fonctionnelles et qui dans la biologie est l'écosystème, dans la géoécologie est le géosystème. Ainsi, le géosystème, à la différence de l'individu biologique et de l'écosystème, a une charge spatio-temporelle et événementielle, il a une superposition verticale, mais aussi une représentation horizontale et de voisinage. Toute intervention sur l'environnement affecte sa fonctionnalité en temps et espace et a des effets secondaires, qui n'ont pas fait l'objet de l'intervention, mais qui peuvent devenir plus puissants que ceux prévus.*

Les structures spatio-temporelles et événementielles basées spécialement sur les connexions horizontales et verticales confèrent aussi aux géosystèmes une concrétisation de la fonctionnalité, ce qui impose une hiérarchisation spatiale qui consiste dans leur intégration, jusqu'au niveau planétaire et cosmique.

De la sorte, *le géosystème apparaît comme un module glissant pyramidal*, intégré comme un organisme en entités de plus en plus complexes, du niveau local, régional et jusqu'à celui planétaire.

Les géofaciès et les géotopes sont des composantes primaires du géosystème, étant des entités systémiques qui apparaissent seulement dans le cas de l'organisme fondamental, le géosystème. Ex. : le faciès littoral comme composante du système océanique ; le système visuel, nerveux et locomoteur dont la fonctionnalité n'apparaît que dans les conditions de l'intégration comme parties composantes d'un organisme.

Rapporté à la théorie de la relativité d'Einstein, nous nous permettons d'affirmer que l'espace et le temps en tant que facteurs existentiels ne peuvent être perçus sans le troisième facteur, *l'événement*, lui étant celui qui donne de la valeur fonctionnelle systémique, l'espace et le temps serait de la sorte deux coordonnés abstraites.

Dans ce contexte, *le géosystème est vu comme un système ouvert, organisé sur trois dimensions (spatial, temporel et événementiel), soumis aux lois de la nature et qui fonctionne comme une composante du Tout Naturel. Il se constitue dans une unité territoriale dans laquelle les relations entre les composantes s'inscrivent dans une structure fonctionnelle pyramidale, qui a une certaine charge énergétique, une production spécifique, mais aussi une physionomie propre en tant que paysage.*

Le géosystème fonctionne pratiquement comme un organisme, où rien n'est aléatoire, rien n'est en dehors des lois et où tout est aussi important que la partie, où tout est lié organiquement, anatomiquement, à travers une multitude de phénomènes et de processus dynamiques et équilibrés.

Les structures géosystémiques ont des évolutions cycliques de la partie vers le tout, du simple au complexe, le dernier palier évolutif étant occupé par l'homme, qui a aussi le rôle d'« ordonnateur de crédit » et de gérant, rôles qu'il n'a pas toujours honorés.

L'intégralité et la structure du géosystème sont des valences qualitatives qui résultent de l'affinité intégrative des éléments, de leur capacité de s'associer dans des *touts successifs*, des touts dans lesquels les relations de conditionnement et de subordination sont plus que nécessaires, étant des relations existentielles, au-delà desquelles il y a seulement le chaos, la désintégration et la disparition géosystémique.

Dans les structures intégratives, chaque partie, comme d'ailleurs chaque tout, conserve son propre statut, chacun ayant ses propres qualités d'adaptation qui lui assurent une fonctionnalité productive et une coopération, qui leur offrent la chance de résister aux agressions, leur donnent la possibilité de corriger, de régler et co-crée. On peut dire que chaque partie a sa propre personnalité, personnalité qui lui permet de s'associer à d'autres parties sans pour autant déranger ou dérégler la personnalité des autres, *la relation entre les parties étant mutuelle, assuré par l'harmonie systémique elle-même.*

Dans les structures géosystémiques il y a aussi des composantes à *rôle polarisateur*, d'autres à *rôle évolutif*, ce qui confère aux structures du système la possibilité de se réaliser la nouveauté systémique. Toutes ces qualités assurent au géosystème une *originalité intime, discrète et non-agressive*, le réglage par feed-back étant la seule qui se retrouve parfois par des phénomènes et processus dérangeants pour la composante

anthropique (voir les tremblements de terre, les éruptions volcaniques, les ouragans, les inondations etc.).

Les structures intégralement pyramidales géosystémiques fonctionnent sur la base de sources et flux énergétiques retrouvés dans les *relations spatio-temporelles et événementielles* spécifiques à chaque structure et à chaque palier évolutif. Pratiquement, le géosystème planétaire est un « *champ fonctionnel* » assuré avec de la substance, de l'énergie et de l'information cosmique, solaire et tellurique, lui n'étant pas de la sorte une composante de soi, mais une partie du Tout Universel.

La *structure associative géosystémique*, elle a comme co-participantes des composantes appartenant à trois domaines : *abiotique*, où il se retrouve les structures physiques et chimiques (roc, eau, air) ; *biotique*, avec des structures spécifiques au vivant (sol, végétation et animaux) et le domaine *anthropique*, créé par l'humain, qui a comme spécifiques les structures économiques, sociales et spirituelles.

Les composantes du domaine abiotique sont d'*origine cosmique* et qui, une fois entrées dans le travail géosystémique, se constituent en des *composantes primaires existentielles*.

Les composantes du domaine biotique ont une *origine planétaire*, elles sont des *composantes dérivées (secondaires)* et sont une *résultante du « travail » entre les composantes abiotiques*, une résultante synergique, qui reste encore dans la zone de pénombre de la connaissance concernant son apparition (la vie), qu'on se permet d'appeler *état d'optime évolutif*.

Le même état d'optime évolutif « a été présent » à l'apparition de l'homme aussi, état que l'on considère présent aussi au moment du passage de l'esprit vers l'infini, comme ultime forme d'existence.

Les composantes du domaine anthropique (*tertiaires*) incluent l'homme comme être supérieur et toute sa création et font la liaison matérielle, énergétique et informationnelle, à travers la substance vivante, avec la *structure planétaire* et par l'Esprit, comme « essentialisme existentiel », avec la *structure cosmique*. Voilà comment la matière cosmique devient planétaire (non-vivante et vivante) et comment à travers la composante anthropique, le circuit se ferme toujours dans le Cosmos, mais par la forme suprême d'existence, qui n'étant pas matière, devient la seule infinie, l'Esprit.

On peut affirmer qu'*on a affaire à un circuit aussi complexe que simple, dans lequel la substance cosmique (le nuage cosmique) finie de point de vue spatio-temporel, constituée dans des entrées du géosystème, devient « produit planétaire », qui est travaillé jusqu'à sa forme*

supérieure, l'Esprit, qui se « décharge » à la sortie du système dans l'infinité cosmique, c'est-à-dire le point d'origine de la forme existentielle ordinaire, la matière (fig. 1).

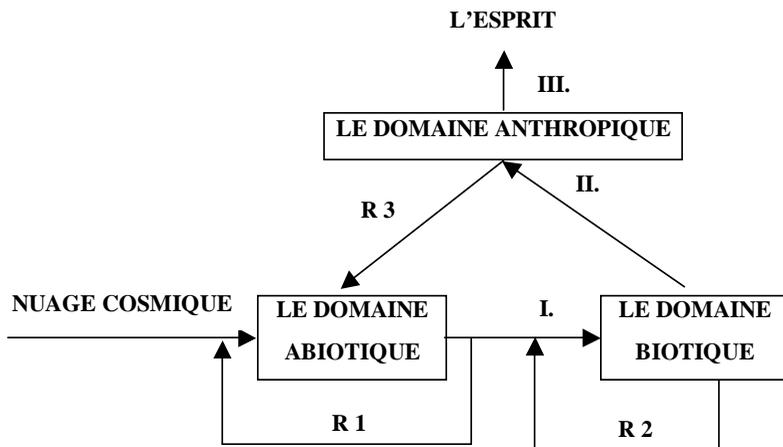


Fig.1. Le circuit géosystémique

R1, R2, R3, - la connexion inverse (feed-back); I., II., III. - états d'optime évolutif

Dans ce contexte, il se constitue trois cycles évolutifs géosystémiques : *le cycle cosmique-planétaire* comme entrées, *le cycle planétaire* comme travail et *le cycle planétaire-cosmique* comme sorties, le cycle planétaire ayant toujours trois sous-cycles : géologique, biologique et anthropique, auxquels il correspond aussi les temps afférents (géologique, biologique et historique).

Ainsi, on peut dire que le géosystème est une « *structure technologique* » de travail sur la matière cosmique, la structure dans laquelle par « *distillation* », par « *sur-distillation* » et finalement par « *essentialisme* » on obtient le produit « *fini* » qui est l'infini, L'ESPRIT.

Les relations entre les composantes du géosystème ont des sens horizontaux et verticaux, capables d'assurer des structures pyramidales stables et dynamiques, des structures qui réalisent une mosaïque de paysages différents physionomiquement, mais intégrés fonctionnellement.

Le géosystème doit être compris comme un *tout relationnel*, qui a à sa disposition la matière sous toutes ses formes, du non-vivant au vivant, a

à sa disposition l'esprit comme forme supérieure d'existence et a à sa disposition une multitude de sources énergétiques ; toute cette *structure relationnelle* se développe dans un *champ spatio-temporel et événementiel*, dynamique et productif qui a comme résultante *l'architectonique géosystémique actuelle*.

Dans le contexte général géosystémique, l'homme réalise trois types fondamentaux de relations.

Les premières sont les relations avec l'environnement naturel, avec les écosystèmes, des relations à travers lesquelles se réalisent les échanges de substance, énergie et informations avec le non-vivant et le bios terrestre.

La deuxième catégorie de relations est réalisée avec sa propre création, l'environnement anthropique, dans lequel un rôle important est détenu par les relations avec les semblables, respectivement les relations sociales. Dans le cadre de ces relations, la connaissance est déterminée.

La troisième catégorie de relations est réalisée avec l'extra-tellurique, les relations qui connectent l'homme à l'Universo-système. Ce sont dans la plupart des relations énergétiques et spirituelles. Pratiquement, à travers ces relations, on prend les « commandes » retrouvées dans les lois du Tout, y compris de celui géosystémique. Dans un sens direct, elles sont les relations avec le Créateur Universel, Dieu, des relations que l'homme ignore dans bien des cas, ou bien il leur accorde une trop petite importance, raison pour laquelle il se dégrade aussi les deux autres catégories de relations, respectivement celles avec l'environnement naturel et celles avec les semblables.

Les relations géosystémiques supposent l'existence à au moins deux composantes (relation bipolaire), ou bien à une multitude de composantes (relation multipolaire), les relations d'équilibre étant celles tripolaires.

Tous les types de relations du géosystème sont basés sur *co-évolution et synergie*, ayant aussi un spécifique historique évident.

Les niveaux relationnels sont eux-aussi structurés en pyramide, respectivement : les niveaux *primaires*, appartenant au domaine abiotique ; *secondaires*, spécifiques au vivant et *tertiaires*, spécifiques au domaine anthropique.

Les relations entre les composantes du domaine abiotique (roc, relief, eau, air) sont soutenues par des affinités géophysiques et géochimiques et sont *dans la plupart bipolaires* (croûte – relief, croûte – eau, eau – relief, air – eau etc.), mais on n'exclue pas les relations tripolaires (roc – eau – air).

Les relations d'entre les composantes du vivant ont comme support énergétique la bioénergie et *sont presque toujours tripolaires* (par ex. producteurs, consommateurs, détritivores), *on n'excluant pas les relations bipolaires* (végétation – faune, faune – sol).

Les relations d'entre les composantes anthropiques *sont toujours tripolaires*, cela à partir de la triple position que l'homme détient dans le cadre de la pyramide géosystémique, mais aussi du fait que l'homme dispose et opère avec toutes les formes énergétiques, y compris celles endoénergétiques : biologique, informationnelle et spirituelle.

Dans le cadre des structures pyramidales géosystémiques, il s'est créé et il fonctionne trois types de relations :

- *relations intra-comportementales*, ou relations entre les composantes d'un domaine. Ex. roc – roc, roc- relief, relief – air, air – eau etc. (du domaine abiotique) ; végétation – végétation, végétation – animaux, végétation – sol etc. (du domaine biotique) et relations entre les composantes de la structure sociale : ouvriers – gérants, gérants – créateurs etc.
- *relations inter-comportementales*, ou les relations d'entre les composantes des trois domaines. Ex. eau – végétation, roc – sol, relief – végétation, homme – eau, homme – roc, homme – végétation etc.
- *relations interplanétaires*, ou les relations d'entre le géosystème par ses composantes et les structures cosmiques, et qui sont surtout des relations énergétiques. Ex. eau – Lune, végétation – Soleil, air – Soleil, homme – Cosmos, où on trouve aussi la coordonnée relationnelle spirituelle.

Ces relations ont un caractère dynamique soutenu de point de vue énergétique par *la relation fondamentale cause – effet* ; ce sont d'habitude des relations d'interdépendance mutuelle, excepté celles spécifiques aux états de déséquilibre, qui sont des relations conflictuelles.

Des relations entre les composantes du domaine abiotique et celles du domaine biotique, il a résulté les *écosystèmes* (les biogéocénoses) et des relations entre les composantes du non-vivant, du vivant et de l'anthropique, il a résulté les *géosystèmes*. *Les relations conflictuelles* sont causées d'habitude par la valorisation faite par l'homme des autres et se constitue dans bien des fois dans des *relations d'agression, des relations d'impact* sur l'environnement.

Les trois pyramides géosystémiques (le non-vivant, le vivant et l'anthropique) sont des composantes disposées à leur tour de façon pyramidal, elles sont liées de façon synergique entre elles, de leur travail

résultant le paysage présent de la Terre. On peut dire que les trois structures, en tant que composantes de la grande pyramide géosystémique, transforment la substance, l'énergie et l'information des espaces extra et intra-telluriques dans des structures constitutives propres, auxquelles elles donnent *une personnalité, une originalité*, qui n'est pas autre que le *géosystème*.

Le géosystème n'a pas de moments de stagnation, pendant lesquels rien ne se transforme, ne s'accumule et que quelque chose ne soit pas créé, et que ce nouveau ne soit pas toujours une composante de progrès, de saut de qualité, excepté les cas d'impact, où la régression géosystémique apparaît.

Les composantes du géosystème sont élastiques, non-linéaires, avec des rythmes et vitesses qui leur sont propres. Elles ont une dynamique intégrative, utilisant toutes les formes d'agrégation de la matière. Le caractère intégratif du géosystème découle du fait qu'il est un « être » différent des éléments qui le composent et du fait qu'il est disposé en pyramide de point de vue hiérarchique et il est soumis à toutes les lois connues et inconnues à l'homme.

Le géosystème ne se réduit pas à ce qui est visible, mais il intègre une multitude de données invisibles de la nature, données qui sont fréquemment repérées pas seulement par des causes et effets mesurables, mais aussi par des données imperceptibles directement, données effectives non-quantifiables, fait qui n'exclue pas leur existence (ex. le Créateur Universel).

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TYPOLOGY OF KNOWLEDGE-BASED FIRMS - INFLUENCES ON THE VALUE OF THE FIRM

Abstract: *As Michael Porter states that there are three main stages of economic competitiveness that a nation may go through, so we can say by analogy that there are three stages of firm competitiveness: firms based on classical inputs, investment firms and firms based on innovation and knowledge - modern organizations.*

The name of modern organization is a generic one defining a *knowledge-based company* which uses with maximum efficiency all the results of the technological revolution and of the knowledge-based society.

The role of informational technology in redesigning the typology of firms is crucial, because a series of fundamental economic change take place which are reflected in structural-organizational changes. This leads to new types and forms of companies, such as the learning organization, the virtual company, networking and business clusters¹.

The learning organization

The new management approach that seems to solve these problems is called the *learning organization approach*. A learning organization is an organization that gets good results in the creation, acquisition and transfer of knowledge as well as behavioral changes to reflect new findings. Learning organizations focus on solving problems systematically, on experimenting new ideas, on learning from own experience and the experience of others, and on the rapid transfer of knowledge within the organization. Managers who seek to build a learning organization must create an environment prone to learning and should encourage the exchange of information between all members of the organization.

The learning organization is a new management paradigm or a fundamental way of perceiving and relating to management. Peter Senge

began a serious analysis of learning organizations in 1990 in his book "The Fifth Discipline: The Art & Practice of the Learning Organization". Since then, Senge, his colleagues at MIT and many other scientists have made important progress in developing the concept of learning organization. According to Senge, building a learning organization requires an emphasis on five elements within the organization:

- *Systems thinking* - each member of the organization knows their tasks and how they overlap with those of other employees to provide the final product to the customer;
- *Shared vision* - all members of the organization have a common understanding of the purpose of the organization and a sincere commitment to achieving this goal;
- *Critical analysis of mental models* - the members of the organization critically examine the company's performance as well as the thinking model involved in solving problems in the organization;
- *Team learning* – the members of the organization work together, find solutions to new problems and apply all these solutions together. Teamwork rather than individual work will help the organizations gather collective strength to achieve their objectives;
- *Personal development* - all members of the organization are fully aware of the tasks they need to complete. Such knowledge will help organizations meet the significant challenges they are faced with.

According to Pedler "the learning organization is the organization that facilitates learning for all members and, in the same time, is permanently transforming". In this case, the emphasis is on individual development and not on training. The following defining features can be identified²:

- awareness regarding the role of knowledge and special attention paid to it;
- intense individual learning for most employees;
- extensive organizational innovation;
- frequent changes in the work of each employee;
- major and quasi permanent changes at the organization level.

The learning organization is based primarily on the transfer of knowledge through various forms of learning: learning how to adapt, learning how to change, learning how to learn.

Most often the transfer of knowledge creates value for modern organizations. *Value creation* in these organizations is supported by the firm's intangible assets, which are difficult to quantify because they are

both cause and effect; they are cause when they are generators of value, and here we identify the human resource, and effect when they are the outcomes of value. We may say that the use of knowledge in general, is a dual source of competitive advantage for companies and for these considerations the value created is higher than the value of other firms that have the same line of business because they do not use knowledge as a resource or results.

The virtual company

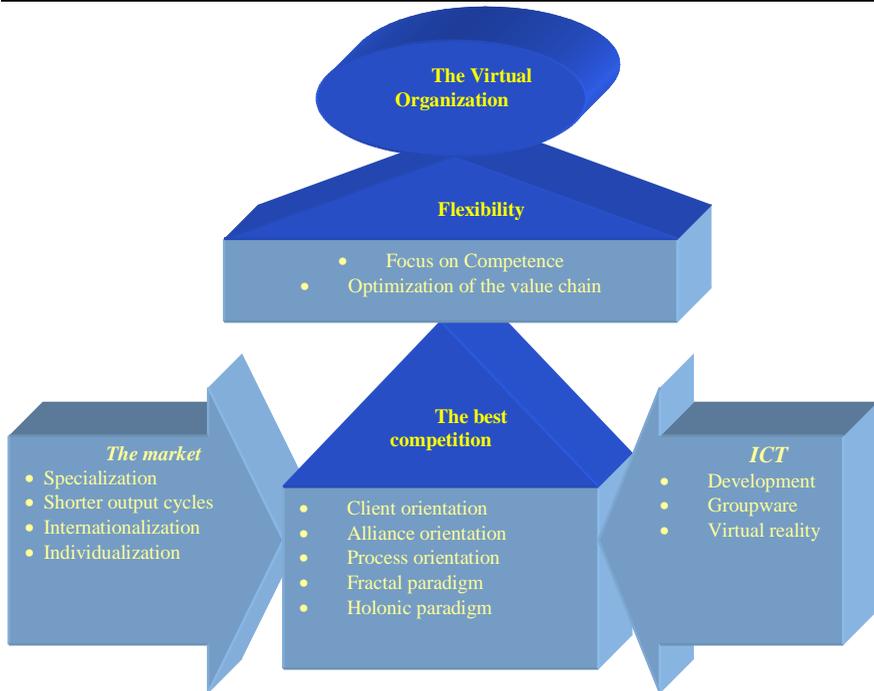
As noted above, the development of information technology has made possible the appearance of a new form of business – *the virtual company*. Virtual companies are “*semi-permanent configurations of structural units, interlinked, geographically dispersed that generally increase their performance through receptivity to changing market needs through ICT skills, and continuously adjust their organizational forms*”³.

The increasing performance of information technology has had major implications at the microeconomic level, especially in the virtual company, in the following areas: the reduction of manual work, availability of large amounts of information, the natural order of activities or parallel processes, process continuous monitoring, the analysis of existing information, combination of heterogeneous activities, increasing knowledge and experience, removing intermediaries and business process redesign.

The virtual company surpasses all geographical boundaries and geographical dispersion represents a competitive advantage in this type of firm. Labor productivity in these firms is very high because it involves very low labor costs and because the company is expanding thanks to a proactive motivation stemming from the seeking of resources. The characteristics of the firm which reside in virtual work, electronic services, open system organization, turn the company into a highly competitive one that can create value.

A virtual organization also constitutes itself and operates based on many principles, namely⁴:

- The setting up of a company starts with a firm or group of firms identifying a series of innovational opportunities, with a clear scientific character;



Source: Micu, Stoica, 2004

- The complementarity of component firms, which leads to the creation of a synergistic effect, based on knowledge and efficiency;
- Speed of decisions and actions of the companies involved, represented by their managers, is a sine qua non condition for the identification and use of that opportunity;
- The substantiation of their activities on a fluid organizational system, able to adapt to specific participants;
- The development of intense innovative processes in the participating firms, stimulated by the heterogeneity and complementary of the organizations and individuals involved and meant to seize the opportunity;
- The development of intensive communication processes between the companies and the individuals involved, the resources and modern technologies used to overcome most of the handicaps caused by the distance that separates them;

- Optimizing the use of knowledge and other resources involved in the project, given that the participating firms jointly use their facilities and share knowledge, risks and profits of the business;
- Completion of activities resulting into new products which are competitive due to the intensive processes of knowledge use as well as the reduction of costs in various processes thanks to the high level of technology the firm possesses.

All the changes that take place lead to a change in the meaning of business and new business strategies, as the main target of the virtual companies is *creating and increasing value* taking into consideration the fact that any company that forms its strategies according to the market, to emerging technologies and to the value chain, succeeds in creating value.

The functioning of virtual organization in which innovative processes represent a very high proportion of the total, is possible if its foundations are undergoing rapid development, leading thus to competitive advantage on national and international markets. This advantage will increase the firm's value.

The network organization

As organizations evolved, they went through various stages depending on the level of technology development. However, each company can achieve these levels differently. Some may even have more types of structures simultaneously. That is why any of these structures can be found in an organization at any time.

The network organization is, however, the most advanced form – the smart business glove; the last stage in the evolution of organizational structure is the first real innovation in the structure of the organization. In this type of structure, the emphasis is on customers, not on internal functions. Because of their outward rather than inward orientation, network organizations are more responsive to customer needs and overall market changes⁵.

Network organizations rely on teams dealing with a process or a customer, not on individuals performing functional activities under the coordination of several levels of management.

The emergence of network-type structures is the direct result of *two major changes in the managerial way of thinking*. *The first change* is understanding the importance of multi qualified workers. This trend in managerial thinking contradicts Adam Smith's idea that the ultimate benefits come from the division of labor.

The second change is the realization that success is based not only on technical or functional expertise, but also on the application of those processes and resources that are important in order to meet customer needs.

The network organization has its origins in the matrix-like structures of the past. In this kind of structures, the organization compartments were freely connected between the product and customer lines. More frequently encountered in project based organizations, the matrix like structure has conflicting results. Even though it allows a better orientation towards the customer, also maintaining the functional integrity, the matrix-like structure increases the tension and confusion which are caused by dual subordination relations.

No matter whether it is considered a success or failure, the matrix-like structure has been criticized by management theorists and traditional technology. Still, recent innovations provide great chances of success to this structure these days.

The factors that constrain company flexibility and efficiency have always existed. Then why was it such a long time necessary for the appearance of this structure? Three major trends have set the stage for the emergence of the network structure.

- the progress of informational technology;
- the transition to a service economy;
- the introduction of total quality initiatives.

Informational technology is one of the most important catalysts of this structure because

- it eliminates the organization's dependency on "expert" managers;
- it allows teamwork, even over large distances;
- it allows people to take part in the work process and to coordinate it in its different stages.

Traditionally experience belonged to employees and knowledge transfer was ensured by technical or functional experts according to their job description. Employees became *more and more valuable* as they gained experience. With the appearance of expert systems and learning software, knowledge is not one's monopoly anymore. It is stored into computer databases and available to anyone who has computer skills and PC access.

For example, HR departments usually need specialists in taking decisions regarding wages and salaries, and the bestowing of benefits. Now, an HR specialist can use an expert system that supports such

decisions. Also, workers in a production hall who used to depend on their foreman for information regarding stocks and production now have this information available in computer terminals.

Technology has also allowed organizations to expand areas of control across physical and geographical boundaries. Managers can now control workers and coordinate activities in different parts of the world. With the progress of mobile technology and portable computers, a sales manager may communicate with the sales personnel over a large geographical area.

Global communications, networks and other technological innovations enable individuals and groups not only to work in a coordinated manner in different parts of the world, but at different times. Activities that used to require sequential processes can now be carried out in parallel, through better communication and coordination. Messages can be sent via email, and people can receive and can reply to them at different times. Team members can work continuously on a project, even if they are in different parts of the globe.

Motorola is a good example of a company heading towards a network-type structure, but even it has not fully adopted the network concept and it probably never will. To best serve all stakeholders, or in other words *to increase company value*, the company must use a combination of organizational structure which can be changed according to the situation.

To obtain maximum results from reorganization, we must take into considerations new types of structures. The successful organizations of the future will be those where decisions are taken on the basis of standard processes, customers and teams, using the old models based on labor specialization on hierarchical command structures. Used correctly, these alternatives offer great potential for success.

However, even network-type structures may not last for long. New concepts of organization will emerge as the technologies that we cannot even imagine today will become something normal, and the demographic structure of the workforce will change spectacularly. The organizational structures of tomorrow will be very different from those used today. Maybe that membership to a company will only require holding the access code to its computer networks. In this case, the organizational structure of the companies of the future will look very different from that of today.

Here's how JS Harrington approaches the restructuring of organizations:

Losers: frequently reorganized in order to take advantage of capabilities and interests of key managers. Reorganization is often the result of a policy of force and is only intended to replace a poorly performing manager. Losers think that changing the structure will solve all their economic problems. Their motto is: if we do not do well, we reorganize. Usually, they will adopt the latest trend in restructuring, hoping that it will act as a magic wand. Any change is inwards oriented (functional improvement), rather than outwards (maximize customer satisfaction).

Survivors: these companies are often reorganized so as to move towards certain products and to maintain small economic units. The headquarters exercises limited control over various economic units. Usually, the structure is decentralized.

Winners: the reorganization is triggered by the possibilities offered by customer service and by new product development. Structure is oriented to the optimal use of human resources through the development of basic employee capacity and skills. Many of these organizations have moved from a structure based on small units to one based on a major process, and now to a limited network structure. This reflects their willingness to change if the new structure offers competitive advantages. For these organizations, the change in structure is not the first step in solving economic problems. They will first ensure that they have discovered the fundamental cause of the problem and have eliminated it, preferably through a process approach. Then they will choose the appropriate combination of organizational structures available at the strategic, operational and tactical level without looking for a universally valid structure. They know that the structure is designed to facilitate better decisions and adopt the style which helps them make decisions most effectively.

The winners are those companies who in time succeed in creating and increasing value. By using knowledge, human resources, intangible assets, in general, the structural change they constantly undergo, companies will continuously increase their real value.

Clusters

Competitive clusters or clusters are geographic concentrations of interconnected companies, suppliers, specialists, service providers, firms in related sectors and institutions associated in some economic sectors, which establish relationships both of competition and of cooperation⁶.

With regard to cluster development, note that the trend is to expand more and more in space - geographical distance is no longer an insurmountable barrier - and even more, as a cluster is more focused on knowledge, the space factor becomes less important.

It may be noted that the trend of cluster proliferation is increasingly important because it presents *multiple advantages*⁷:

- Cooperation between firms at lower costs;
- Creating more scope for innovations to people and organizations;
- Division and reduction of costs and risks for the undertaken activities of research and development;
- Achieving higher technical flexibility, economic and organizational flexibility;
- Less time required for the marketing of resulting products and services;
- The achievement of lower unit costs through economies of scale in the cluster.

While few would deny the benefits of innovation-based economy, it is possible that implementing a "cluster policy" should be seen as very ambitious for a country that still needs to add missing pieces to complete the picture of a functioning market economy. In Romania, in addition to the more accurate characterization of the cluster as "a spatial agglomeration" of companies (due to the low level of cooperation between firms and between public and private sectors), we must also distinguish between natural clusters and clusters "public"⁸.

However the IT industry in Romania has created the prerequisites for the creation of clusters in this field.

The IT cluster is an agglomeration of companies that operate in the field of information and communication technologies or in related fields, and that associate in order to achieve common goals and to create mutual benefits.

To illustrate this we are going to present the IT cluster formed in Cluj at the end of 2004 from 6 companies: AGS, AROBS, Brinel, iQuest, and TRANSART RECOGNOS Romania.

First a set of minimum rules was established and the first joint action was in the marketing area by establishing a pool of expenses. This cluster was called Transylvania Cluster. It achieved revenues of over 8 million euros in 2004 from software in the following areas: health, insurance, pharmaceutical, entertainment, human resources, education, e-governance, commerce, finance, trade, distribution, postal services.

The prospects for TC (Transylvania Cluster) refer to the identification of projects and partnerships with IT clusters in the EU and the U.S. which will enable rapid implementation in Romania of new information and communications technologies (www.transylvaniaccluster.com).

At the European level a series of science-based clusters can be identified, namely: Biotechnology and Science of Nuclear Medicine, Vienna, Austria; Multimedia Valley, Yona Walloon, Belgium, Communications, Jutland, Denmark, Technology, Oulu, Finland, Biotechnology-Evry Genopole, Evry, France Chemical industry, Northern Ruhr, Germany, Software, Dublin, Ireland, Biomedical, Emilia-Romagna, Italy; Consulting in information technology for SMEs, Luxembourg, Dommel Valley ICT Eindhoven, Netherlands, Electronics, Horten, Norway; Cambridgeshire-High-tech, United Kingdom (GEA, 2004). All these clusters make extensive use of information and communication technologies in order to develop new technologies that will result in reducing disparities between countries while ultimately developing countries will catch up with rich countries, this being fundamentally influenced by the possibility of a fast very wide distribution area of ICT.

ICT implementation and use at the microeconomic level will have an impact at the macroeconomic level, too. Consequently, the role of ICT in achieving economic convergence is felt both at company level and through this, at the macroeconomic level. *Firms contribute to creating value*, to the development of the innovative, inventive and creative sector through the high level of involvement that is manifested in investment in research and development. Feed-back will not be late to appear. Firms meet the challenges of ICT by investing in research and development.

In this context, companies in the field of ICT are creating real value because the information revolution and knowledge society offers many challenges, and companies are able to cope with rapid changes taking place through technology transfer aimed, among other things, at closing the gaps.

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THE MULTIBONUS FIDELITY PROGRAM – DEVELOPED AND USED BY MOL ROMANIA PETROLEUM PRODUCTS

Abstract: *Before choosing a strategic alternative, a company must analyze or scan its marketing environment, undertake market segmentation, target own market segments and position itself within these market segments. Adopting a relationship marketing strategy, in general, and an attachment strategy, in particular, requires the company to formalize a life cycle perspective. This paper correlates the theoretical background of an attachment strategy with an applicative case study to Mol Romania.*

Keywords: *relationship marketing, attachment strategy, Romanian fuel market*

JEL Classification: *L11, L13*

Objectives of the Multibonus fidelity program

The objectives of a fidelity program, in general, and those of the Multibonus fidelity program developed and used by MOL Romania Petroleum Products, in particular, are as follows: raising the buying frequency, attracting recommendations (the concept of word-of-mouth marketing), achieving of the Up-Selling and/or Cross-Selling phenomenon, creating client retention and increasing the brand awareness of the MOL company and its products.

Short history and market segmentation of MOL Romania Petroleum Products

The MOL Romania Petroleum Products S.R.L. company is a subsidiary of the Magyar MOL Group, which represents an important player within oil extraction and petroleum products distribution industries in Central and Eastern Europe. The main activities of the MOL Group

include: oil and natural gas exploitation and production; refining, transport, storage, whole and retail distribution of petroleum products; production and distribution of lubricants. These core activities are integrated in a business model made up of six strategic business units:

Exploration and production (these Upstream activities have as main objective the seeking of new raw materials reserves all over the world).

Refining and marketing (this business unit is responsible for the purchase and refining of crude oil, logistics and wholesale distribution of petroleum products).

Retail (the retail division is responsible for the development and retail of automotive products and other services within the MOL Group Filling stations).

Lubricants (the activities of this division contain the production and distribution of different types of lubricants like: automotive and gear oil, industrial oils, metalworking fluid and other important lubricants).

Natural Gas (this business unit is responsible for managing the natural gas transmission within the Hungarian market and to key external markets) .

Petrochemicals (is the 8th largest player in the European polyethylene and polypropylene market).

The Retail division operates in Romania through its subsidiary - MOL Romania Petroleum Products S.R.L. By comparison with the numbers from 2007, MOL Romania increased its sales volume by 2% and its turnover by 12% in 2008. 5% of the turnover increase was due to the fuel sales to fleet-running-companies; a fact that confirms the efficiency of the strategy of improving the number of credit card based transactions. The sales due to the MOL Shop increased in 2008 (compared to 2007) with 6% as a consequence to the effective implementation of the MOL product management. The overall market share of MOL Romania decreased in 2008 from 12,8% to 10,7% due to the restructuring of the product portfolio, in general, and the removal of the Leaded '95 fuel type, in particular. The number of the filling stations in Romania increased with 9 units, reaching 131 filling stations.

The targeted clients of Mol Romania are divided in two main categories: retail customers (final consumer) and corporate clients (companies which use transport activities to reach their objectives).

The retail customers are exposed to the fidelity program called Multibonus. Every final consumer of MOL Romania can take part in this program be correctly filling the registration form. They can change the

fidelity points (accumulated through purchasing from the Mol Filling Stations or Mol Shops) with products available in the two forms of Mol catalogs (general and season catalog), with products available in the Mol Shops or with other filling station services (car wash service). Also, the MultiBonus card holder benefits from important price reductions and other facilities offered by the MultiBonus partners, like OTP bank, Domo, Bosch Services and road assistance service – Road Support. The engagement of the company to their retail customers has doubled the number of the MultiBonus card holders in the first three months of the year 2009, reaching 600.000 users. From the existing data, it appears that 82% of the MultiBonus card holders are men, with ages between 18 and 50 years, who prefer to change their fidelity points in free-time products and car-care products.

The corporate clients are targeted with other fidelity programs, for which Mol Romania has created the MOL Gold and MOL Silver credit card systems. The companies that are specialized in transport activities or that run car fleets can use the fuel credit cards MOL Gold and MOL Silver for a safer, efficient and comfortable management of the car fuel filling. The cards can be personalized by taking into consideration the car registration number or the name of the user. These cards also offer the advantage of filling with fuel through credit; the company pays the invoiced fuel at a later, established period than the actual filling. In other words, this credit activity is practically a partially short-term financing activity of the company's costs. Corporate clients, who possess the MOL Gold and Silver card, may request the international credit card MOL-DKV. DKV Europe is one of the biggest fuel card suppliers and represents one of MOL Group's strategic partners. The main beneficiaries of the strategic alliance between MOL Group and DKV are the Mol clients who can take advantages of the unique network of 22.000 filling stations, over 10.000 service-stations, hundreds of highways, tunnels and ferry boats.

Theoretical aspects regarding the fidelity strategy

The concept of Relationship marketing is based on three elements which comprises a theoretical concept, as well as practical value. According to Bruhn (2008), these elements are: thinking from a life cycle perspective (concept which analyzes and manages the client relation in time), the concept of success chain (which identifies relationship marketing as the cause for multiple effects on the firm and clients, thus

integrating the client orientation as well as the firm orientation) and the concept of decision oriented planning process (which is the frame for the management of the relationship marketing).

Before choosing a strategic alternative, a company must analyze or scan its marketing environment, undertake market segmentation, target its market segments and position itself within these market segments. Adopting a relationship marketing strategy, in general, and an attachment strategy, in particular, requires the company to think from a life cycle perspective. This concept was a result of shifting from a product oriented marketing to a client oriented marketing (Strauss 2008) and is divided in other three related concepts: client life time cycle (the needs of the client at a particular moment depend on his life stage and his biological age); client episode cycle (the needs of the client are the result of some repetitive events) and client relation cycle (during a commercial relation, the client, as well as the supplier are passing through a set of stages which influence the intensity of the relation).

To manage successfully a client relation, a company must take into consideration the following three stages which particularize every relation: the stage of client acquisition, the stage of client retention (attachment) and the stage of client re-achievement. For a particular interest to the present study is the second stage of building up a successful client relation: client retention or client attachment. This second stage is characterized by a growing and a maturity stage. Within the growing stage, the supplier concentrates its efforts towards the potential consumption of the client by developing the relation through Cross-Selling activities. Within the maturity stage, the client's potential is almost exhausted, thus the supplier tries to maintain the client's wallet at a constant level through actions which minimize the client's effort for obtaining a superior satisfaction.

The stages of the relation between the company and its clients are specific elements of relationship marketing that influence the market strategy of the company, which is focused on the action field of the company, the target market - through the establishment of guidelines regarding the attitude of the company towards the market features, exigencies and trends with the purpose of reaching the company's objectives (Florescu, Mâlcomete, Pop 2003).

With respect to the presented theoretical aspects, it can be stated that client retention can be achieved during the attachment stage, when the

client has evaluated at least one time the company's performance. The attachment strategy can contain one or more of the following objectives:

The company wants to intensify the client's relation through the increase of his buying frequency;

A total attachment of the client attracts the Cross-Selling and Up-Selling phenomenon;

The company desires to increase the client's spending for the company's products or services (Share of Wallet);

The company stimulates client recommendation.

During the implementation of the attachment strategy, a company should take into consideration the following: if the attachment actions are focused on a specific client segment, the other clients could consider that they are excluded; the attachment actions do not always create a real attachment, but a bought loyalty (Cold loyalty); if the company concentrates its efforts on client retention, it could neglect the acquisition stage of clients.

According to Bruhn (2008), the strategic options of a firm regarding the client's attachment are differentiated by a set of two criteria: **period** (short and long term oriented) and **attachment type** of the client (Verbundenheit – emotional attachment of the client and Gebundenheit – rational attachment of the client). The four attachment strategies from which a company can choose are:

The short term rational attachment strategy has as a main purpose the "rising" of switching barriers for the client, with short and middle term effects. Such a strategy is recommended if the firm seizes a reticence of the clients regarding their long term attachment. The short term attachment can be obtained through contracts signed for 3 months (fitness, theatre etc.) or through a free activation of a free "extra-option" (mobile phone services) for a two or three month period.

The long-term rational attachment strategy is adopted by companies which have as main purpose the creation of switching barriers for their clients, with long term effects. Examples of companies that adopt this type of strategy can be found in the mobile telephone industry and the leasing market, where the clients sign the mobile phone services contracts or lease contracts for a two years period.

The short-term emotional attachment strategies are adopted by companies which desire to influence on a short-term and in a positive way the perception of the clients regarding the company's performances.

Methods of obtaining a short-term emotional attachment are: using short-term price reductions or gifts.

The long-term emotional attachment strategies are reached through actions which influence on a long term and in a positive way the perception of the clients regarding the company's performances. Such strategies are adopted by services companies where a high quality performance of a service requires the involvement of the supplier's personnel, as well as the client's involvement.

The attachment strategies are implemented by using a set of relationship management specific instruments which are focused on two main directions: the individualization of the client relation (for a relation to be attractive for the client, a company must adapt its performances to the specific needs of the client) and the increase of the firm's performances (increasing the firm's performances can be achieved if the company sells different products to the same clients – Cross-Selling – or a larger quantity of the same product to the same clients – Up-Selling). These two directions are correlated with the four classic marketing instruments (product, price, placement and promotion) creating a specific relationship marketing mix. By using price as a marketing instrument, a company can obtain an individualization of the client's relation through: price differentiation and Relationship pricing, but also an increase of the firm's performance through: discounts applied for the additional performances, using Cross-prices and client cards.

Description of the fidelity strategy considering the market strategy adopted by MOL Romania and the dynamic Romanian fuel market

Market strategy is a central component of the firm's marketing policy, its nucleus, starting point and reference for the marketing-mix elements (Florescu, Málcomete, Pop 2002). Market strategies are adopted as a result of a careful analysis of the internal environment (their own resources) and of the external environment (market forces). By correlating the two categories of factors – own forces and market forces – certain response capacity of the firm is generated regarding the market dynamics, structure, changes and competitiveness. Important for this present study is the market dynamics, which represents the starting point for the description of the market strategy adopted by MOL Romania.

Mol Romania belongs to the Retail division of the Mol Group; thus the market strategy of Mol Romania is determined by the dynamics of the

Romanian fuel market and is derived from the strategy defined by the Retail division of the Mol Group.

The strategy of the Mol Group is a growing strategy adapted to each of the six divisions; it was implemented in the year 2005 and ranges out to the year 2010. The main purpose of this strategy is to benefit from the growing potential of “New Europe” (East European market) and to obtain high return on investments rates. The strategic objectives of the company are: growing (the company desires an increase within the Upstream division through tripling the production and doubling the fuel sales); efficiency (the company desires to reduce costs and use more efficient the material base) and financial flexibility (the group efforts are towards maintaining the debt ratio under 30%).

The strategy of the Retail division is to increase the number of its filling station to 1500 within the group’s action range till the year 2010. Growing number of filling stations correlated with the refinery’s actions range attracts synergy effects (due to the integration of the Refining&Marketing and the Retail division) from which the Group can benefit.

The main objective for the Romanian retail market is to achieve a number of 137 filling stations. The current number of filling stations is 131 and the growing objective denotes the dynamism of the Romanian fuel market. The Romanian fuel market is about 5 million tons annually, reaching a value of over 6,5 million Euros. 65% of the consumption is due to diesel, the rest is owed to gas. The actual economic context has influenced directly the Romanian fuel market, the sales of petroleum products declined in January 2009 with 10% compared to the same period of the year 2008. This decline is due to the “freezing” of the real estate market, which attracted large fuel consumption.

The demand for petroleum products is divided in two categories: a first category is represented by the corporate clients who purchase fuel necessary for achieving their strategic goals; the second category is made out of final petroleum products consumers. While the demand of the corporate clients shrunk due to the unfavorable economic context, the final petroleum products consumer became more price sensitive, demanding a higher product quality or additional services at the same price. Therefore a fidelity strategy is an imperative for every fuel retailer.

The fidelity strategy adopted by Mol Romania (through the fidelity program MultiBonus) is a long-term rational attachment strategy. The final customer becomes to be rational attached for the product if he

perceives that at the same cost he obtains a higher utility in comparison with other products or services. This idea is the basement stone of the fidelity program designed by Mol Romania through its fidelity program MultiBonus – clients accumulate points (direct proportionally with the purchase value) which they can transform in products find within the Mol Shops. Although, the program was introduced in the year 2005, spectacular results have appeared in the first three month of the current year – 2009 – when the number of the MultiBonus cardholder has doubled.

The MultiBonus Card – a fidelity instrument

Through this marketing instrument, a fidelity strategy (whether is seeks a long term or a short term rational/emotional attachment) should fulfill two tasks: an individualization of the company and a growth of its performance. Therefore, using the price (as a component of the marketing mix) to enhance the company's performance also implies using client cards (as a fidelity instrument), along with the practice of bundling prices and discounts for extra-performances.

The MultiBonus nominal card is the card that uses the logo of the MultiBonus fidelity program and also comprises the first and last name of its holder, the series of the card, its period of validation, on the basis of which the client can accumulate or transfer fidelity points.

For an individual to gain possession of this sort of card, he/she must, initially, complete an application form, which certifies his/her membership to this program.

The application form contains the client's personal data, which are, later on, enlisted in a data base to track down the evolution in terms of the client's transactions.

Hence, a certain buying behavior can be determined (especially for final consumers – the main focus of this MultiBonus fidelity program) for each filling station, which leads to a differentiated growth strategy for each gas station. The filling stations along the highways are much more concentrated on the food side (restaurants, snacks) , whereas the gas stations in the cities are oriented towards car wash, diversified shop products, additional filling station services.

The frontier-base filling stations trade mostly souvenirs, local things from Romania, but are also focused on the food/ snack side, while the filling stations from the sea-side or from the mountain area sell season or holiday products.

In a period of 15 days from the filling of the application form, the client will receive the MultiBonus nominal card at the specified address in the form. In order to gain fidelity points, the clients must present the Multi Bonus card to the cashiers every time a purchase is made. The fidelity points are awarded accordingly:

- 1 point for each liter of fuel of the following: Tempo Plus 98, Tempo Plus 95, Tempo Diesel;
- 3 points for each liter of Evo Gas or Evo Diesel ;
- 1 point for each liter of GPL fuel;
- 1 point for every 3 RON amount (including VAT) spent in the MOL stations for products and services.

The points which were accumulated by the client can be transferred to MOL or its partners in two ways:

the products/services presented in the MOL stations (with the exception of the MOL fuel), the vouchers of its partners can be obtained immediately in the MOL stations;

the products/services presented in the MOL stations can be obtained on the basis of an order, and their payment can be made through withdraw of points + cash. The acquisition of such products/services represents the phenomenon known as Cross-Selling, which symbolizes an objective of the fidelity strategy. The products ordered from a catalogue are seasonal products, which a simple „fuel ” client would not buy from a filling station. Being motivated by the presence of the fidelity points and the cost benefits which the purchase of those products from the filling stations could bring, the client will be more tempted to buy those products.

The value in points of the available products from the station is obtained through the ratio between the sum of shelf prices (including VAT) and 0.015 RON/ point; in other words, 1 accumulated fidelity point accounts for 0.015 RON. Once the transfer has been made (points for products/services), the points of the MultiBonus card will be transferred in the MOL account.

Some products have special promotional points. The newest offer is the „Estival Catalogue”, which contains a series of estival products with promotional points for the 5 May – 31 July 2009 period. The catalogue contains food products (Chio Sticklet 125 grams, Burn 480 grams and others), but also products that can be used for a longer term (salt-cellar, toys and others). To expose the way in which the consumer perceives the extra benefits offered by the MultiBonus card, I will further refer to a

simplistic example – the acquisition of an energy drink, Burn, in the time period of 5 May – 31 July, from the MOL filling stations. In this period, Burn „costs” 480 points, that is $480 \text{ points} \times 0.015 \text{ RON/point} = 7.2 \text{ RON}$. The retail chains practice a price between 7-8 RON for a Burn can of 250 grams. The free acquisition (on a point basis) of this product represents an extra benefit that any consumer expects from the company he/she buys from. Even if the product in question does not bring an immediate utility, the idea of an extra benefit dominates the consumer’s mind, and he/she will forget that those 480 promotional points (7.2 RON) has brought the company sales for approximately 1600 RON.

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THE SCHOOL MANAGEMENT SUCCESS INVOLVED BY THE PARTNERSHIP WITH THE COMMUNITY

Abstract: *The rigorous social organization of modern society ensures its maximum efficiency. Institutions and organizations structure people's daily life, regulate individual and collective behaviors, set rules for social and human interaction, regulate performances and establish rewards. Institutions are relatively stable structures of statuses and roles, which help individuals meet some of their or accomplish certain social functions. From these inter-relations we should obtain a maximum of efficiency as follows.*

Keyword:

JEL Classification:

1. ASPECTS REGARDING EDUCATIONAL SYSTEM

1.1 School as a Social Organization

Organizations are systems which coordinate individuals' activities so that they meet common objectives, characterized by the following features: the division of tasks, role distribution, an authority system and a system for communication between members.

Organizations are thus rational instruments, built in line with the objectives of those who have developed it. They generate cooperation, exchange and conflict reports. There is an obvious similarity between institutions and organizations: “they both provide frameworks for the initiation and development of human interactions.” [1]

Analysts of the educational system have come to the conclusion that school - as an institution – possesses all features necessary for it to be labeled “an organization”.

Thus, the institutional foundation of the organization of school provide a well-structured framework, involving and stimulating social actors (teachers, students) in the quest for performance and personal satisfaction. In their turn, social actors, who aim to meet their objectives, propose institutional changes, and thus support organizational evolution.

Therefore, school may be analyzed as an autonomous social organization, focusing on the socialization function, the function of transmitting values promoted by society.

According to A. Neculau, the characteristics of school as a social organization are:

- A precise formal structure, in line with its purposes set by society – to transmit social values and models -: school grades, teaching staff, competence hierarchy;
- The structure operation and update process is a complex process involving relations between the members of school community (students, teachers, instructors, principal);

The psychosocial characteristics of the “school system” are:

- it maintains relations with the social and economic environment, especially with the specialized elements of the environment: the family institution, mass-media, cultural and political institutions;
- it develops to functions: a primary one, as it supplies “services” (to students) and “products” (to society); and a secondary one, as it supplies the population with attitudinal, behavioral models, moral norms;
- it is an open system
- sometimes the initial purposes (instruction and education) are replaced with actions meant to preserve the system. These actions materialize in complicated codes, norms, internal regulations etc., which turn organizational members into mere agents who perform actions in order to meet internal requirements;
- within the organization, the individuals are characterized by a twofold tendency: on the one hand, they want to meet their personal aspirations, and on the other hand, they must answer organizational requests, to fit into the hierarchical pyramid. The student who meets the school requirements has the chance to be perceived by the school community as a student who is adapted to the requirements and a participant in the development of the organization. [2]

In conclusion, school is an organization which *teaches and produces learning (a learning organization)*. Its particularity derives essentially, as stated by Professor E. Păun, from the fact that it performs this function – i.e. it produces learning – and all its organizational and structural aspects are focused on this. The entire “organizational architecture” of school is subjected to the logic of pedagogical (learning) processes. [3]

1.2 The axiological value of the school

School is an axiological space par excellence, a field of value negotiation and validation. The actors involved in the educational process display their attitudes, preferences, interests, propose desirable behavioral models, discuss and identify the “input” and “output” values of this space.

The “input” values are those of the main protagonists – students and teachers, but also other (direct and indirect) participants, the administrative-managerial staff, the students' families and other collaborators. The “output” values are behavioral acquisitions, incorporation of “knowledge and consciousness”, detectable at the level of the “product” (pupils, students) but also at that of “producers” (because the agents who determine change – the teachers – adjust their value inclinations and propensities). [4]

School is an institution designated by the community to transmit a set of values. Axiologically, the pedagogical act is not limited to a simple reproduction of moral, scientific, artistic values in the corpus of pedagogical expectancies and norms or in the contents transmitted: they operate a selection, a decantation, a hierarchic division according to certain criteria focused on the pedagogical relevance of the set of educational values.

Education is not a simple conformism; it must encourage free manifestation of individual will, even if it is not always coextensive with the social flow.

The daily (and especially forcible!) constraints which the individual has to face, beyond any temporary comfort that might be achieved, contribute to the erosion of axiology, of the critical sense and responsibility. Unfortunately, our society does not focus enough on the education of the individual in the spirit of authentic values and on providing the individual with a axiological foundation. Man has to relate to a higher values, to a stable and coherent higher dimension of existence.

Without such relation to the world of values, man's activity and existence lose much of their substance. [5]

The world of values strengthen the spirit and guides the individual towards his conquering an authentic world, founded on moral autonomy. "If any ethical system requires a transition towards something which is beyond man, this 'superhuman' is the most profound axiological foundation of man himself. Once this has disappeared, any possibility to understand ethics as an oppressing yoke or stereotype structure will disappear, too. Our activity should be guided by inner impulses, but individuals are part of dynamic structures and urged to act by means of normative systems. These normative systems are not always founded on values." [6]

Then, spiritual communion accomplished through education is not only intellectual or pragmatic, but also affective, for man discovers the beauty of things or relations only when he himself possesses beauty inside, beauty which he projects outside his being.

2.ROLE OF THE SOCIAL COMMUNITY

2.1 The Family – The Basic Cell of Society

Sociologists have tried to redefine the word "family". Kari Moxnes defines family as institution and ideology:

"Families are sets of relations between people, e.g. parents, parents and children and relations between siblings. The family is an institution and an ideology - ideologies about relations between the sexes, maternal love and family privacy. Families live in households, and are thus responsible for production, reproduction and consumption, all organised in different ways." [7]

Arnlaug Leira has another definition for family: "Usually, the term 'family' refers to at least two persons, either two adults who share bed and table, as a Norwegian expression goes, or one or more adults who take parental responsibility for one or more children. It may also refer to one or more adult child(ren) who share(s) a household with his/her parent(s)." [8]

In spite of the many reports that have been published this century and which try to explain that the institution of family is obsolete, it continues to exist. Social critics deplore the disintegration of family and use as evidence the rate of divorce, juvenile delinquency, wife, child abuse, as well as isolation of old people. However, most families manage to resist most of the time, even if life is not that easy.

Many sociologists maintain that in order to understand how family works, one must explore all the areas it covers. All families are similar due to their organization, ideological systems, beliefs and structure. The way in which each family situates itself on one of the coordinates above makes it unique. Families do not live in isolation. They are intertwined with other significant social systems. Some of these have a major impact upon the family and family, in its turn, influences them. These social systems are: the enlarged family, friends, fields of activities, educational context, guiding values (the Church), spare time and community, as well as our leaders. Family can only be related in relation to the above.

Understood as a social nucleus, the family is the first which influences the development of man, and his whole personality. Family is the first school, it is the foundation of personality. The features of an institution and those of a group harmonize within family. The unity of the group is strengthened by inner and external phenomena and the dynamic of the group is influenced by material, cultural and psychological factors. The essential element of family development is the involvement of economic, material etc. factors; nevertheless, family is not a derivative of the economic factor because it finds resources in other categories such as moral factors.

Family, as a basic unit of society an natural environment for all its members, especially children, must be an environment governed by happiness, love, and understanding. Children must be educated in the spirit of peace, dignity, freedom, tolerance, equality, and solidarity, in the spirit of protecting traditions and cultural values of all peoples.

The family is the first environment in which the child is loved and learns to love the others, to give love. That is why, the family is a “true school of *feelings*; *this is how family shapes personality in its fundamental dimensions.*” [9]

2.2 The Church – A Major Institution within the Community

The educational value of religion is due to the fact that it meets the main requirement of the true educational system: one finds the *truth* through its teachings. Christian ethics, although it is generally supernatural, its foundations are rational and its truths are true. [10]

Religious values are an absolutely necessary horizon of ideality. The need of transcendence is amplifying. Without God, man could reach to dangerous paradoxes, could disintegrate in ephemeral pragmatic aspirations, and remain trapped in a temporal continuum, without any

higher purpose such as that supplied by religious belief, some people would lack reference points, their existence would become void of meaning and their gesture pointless. [11]

Religious values, once they have been fully accepted inside, attract new values, amplify and originate new hopes, new quests. They do not trap individuals and the humankind in transient worlds, but project them into the future, into eternity. Malraux's prediction regarding the religiousness of the following century may be extended to the scale of the entire history. The following centuries must accept spirituality, creation, freedom, for otherwise they will be meaningless. It is almost sure that they will be, chronological existence having no special value. It is important that centuries have a meaning, a direction, a value for individuals and communities.

The issue of religiosity is related to the deep problem of meaning. Human beings confer this meaning, but starting from elements which are beyond our understanding and which must be acknowledged and accepted through education.[12]

First and foremost, religion is a system of norms which regulate our conduct; it answers a supreme and fundamental requirement: the acknowledgment of the existence of one absolute being, the obedience to transcendence.

The religious man is a reality who relates to the reference system of instituted religion. We cannot refer to the religious man in general, but to the one who adheres to a certain religion, who builds a space of value, certain requirements, norms, expectancies.

Christian religion proposes a normative-spiritual framework which is different from the one of other religions. Belief has many a dimension, and the ways towards divinity are many more. However, the religious feeling requires the presence of a relation, a connection. The term itself, "religion", seems to derive from "religare" (Latin), which refers to the above-mentioned relation. That particular relation takes place between two terms which are rather asymmetrical: man – a limited being, and God – superhuman, infinite entity. This asymmetry proper is the one which makes the relation strong and durable.

3. THE EFFICIENT PARTNERSHIPS: SCHOOL-FAMILY-COMMUNITY

When we speak about partnerships we refer to *building relationships between individuals or groups of individuals characterized*

by mutual responsibilities and cooperation in order to meet certain objectives. The school-family-community partnerships are collaboration relationships between family, school, and community in order to obtain positive educational and social results for children and teenagers, with mutual benefits. Partnerships involve mutual responsibility and respect. Partners acknowledge the potential importance and influence of all the members with which they cooperate and make investments in children's education, whose future will influence the life of the entire community.[13]

3.1. Efficient Partnerships with Families

In some schools there are still teachers who say that they will do their duty if families do their own. On the other hand, there are families who say that they have done their part in raising their children and school's job is to educate them. Such opinions lead to the idea of a clear-cut distinction between the influence spheres of school and family. Other teachers maintain that, in order to do their job, they need the support of children's families and that of the community. Some parents say that they need to know what goes on in schools if they are to help their children. These approaches illustrate the fact that there is a connection between school and family in terms of education.

Partnerships give teachers and the school management the opportunity to create schools which resemble much to families. These schools must acknowledge the individuality of their students and create a climate in which students feel integrated and valued. Schools must approach all families not only those who are easily reachable.

Parents must create families which are very similar to schools. These families must become aware of the fact that every child is also a student. Families must emphasize the importance of education, of homework assignments and activities which contribute to the development of students' skills and aspirations.

Partnership work must mean mutual confidence and respect, a continuous exchange of information, sharing the same purposes and strategies, rights and responsibilities. Of great importance in the development of the partnership is the attitude of the school's management regarding the involvement of families and community members, which is, in most cases, the key element in such activities. The school managers must be able to create a working environment in which both the teaching and the support staff perceive parents as partners.

Thus, we will emphasize below some of the most important aspects of a good school-family partnership:

a. *Creating a Positive Educational Environment.* Parents, the other members of the families and the members of the community have a certain previous experience with school, experience which would have a positive or negative impact upon their way and degree of involvement in such partnerships. This should not be overlooked when developing and implementing partnership programs in schools. Research suggests that there is a significant relation between school climate and parents' involvement in the education of their children; family members seem to accept involvement only when the school climate – from an educational and social point of view – makes them feel welcome, respected, trustworthy, and necessary. Regarding family involvement, schools which enjoy a positive environment:

- support family members in their participation in and development of relations with school staff and members of other families;
- contribute to the personal development of family members, concerning the knowledge on child care, educational skills and self-esteem;
- encourage family members to participate in the decision-making process.

b. *Respect for Different Cultures and Family Traditions.* Good schools and programs must take into account the diversity of the population segments that include the family and student. Family traditions of different cultures must be respected but this is possible only through acknowledging and accepting the differences between them.

Teachers must find methods to determine parents to value and share distinct features, cultural traditions, celebrations and folklore elements which may help them develop their identity and affiliation to community and school.

c. *Parent and Family Support Centers.* Parents and family members are offered their own space within the school and the community. This center must meet the needs of the school and participating members. The role of this center may vary from providing an assembly room where parents could share information or have access to community services. Parents may be granted access to a wide range of materials, video tapes, brochures and other publications. Some centers may extend and provide parent education, library access or courses for parents.

d. Family Partnership Benefits. Simple strategies may influence students' school performance and behavior and may encourage parents to become more interested and involved in community. Parent involvement in the education of their children leads to better performance in school and may lower school-dropout rates and juvenile delinquency rates. Childrens' whose parents listen to their problems, support them in doing their homework, transforming the child's daily experience in learning opportunities or guide them according to their teachers' advice perform extremely well in school.

e. The Family-School Connection. Teachers, facilitators and other experts, i.e. people who have worked with families and schools recommend several concrete actions which parents, schools and communities could perform in order to support students' educational activity:

To develop a daily homework schedule. Parents should develop a daily homework schedule for their children. Thus, they provide their children with a quiet and illuminated room. They make sure that the radio and television set are turned off. They discourage their children to use the phone when doing their homework. They encourage their children and answer their questions. They discuss with them the topics of their homework.

To read together with their children. Parents should read together with their children and offer them the opportunity to see them and older children reading. Parents should accompany their children to the library, to help them find the books that fit their needs and interests. Research has shown that parents who read to their children and have them read on a regular basis contribute to the improvement of their children's performance in school. The fact that parents finds enough time to read with their children is the best way to make them read, and this is a key element in education.

To use the television intelligently. Parents should develop a schedule for watching television and should help their children select the programs they are supposed to watch. They select shows they will watch together and discuss. Parents themselves should use television in an intelligent manner, to limit the watching time and help their children choose educational shows. If they are subjected to a process of selection some TV shows may increase children's interest in their own education.

To keep in touch with school. Parents should not wait for the school to tell them what their children are doing there and how. They should

inform themselves on a regular basis on their children's performance in school. They should visit the school and talk to the teachers, or they should contact the teachers by phone.

To offer rewards and encouragement. Parent should encourage the child to make efforts, to spend time and work hard in order to meet the requirements. They should provide them with rewards for their success. They should provide their children with a warm and supportive atmosphere at home, but also set certain standards regarding their activity in school.

To communicate with teenagers. Parents should do their best to find out information about their children's friends. They should support their teenage son or daughter both in their educational and non-educational activities. Parents should state their values unequivocally in order to be able to help their teenage son or daughter make the right decisions.

f. The Importance of the Role Played by the School in the Partnership. Schools may take the first steps in creating strong collaboration relationships, by creating a good educational environment, regular dissemination of information, analysis of suggestions and recommendations and hard work with a view to building and maintaining positive relationships. Schools are the key element, and their work will create the prerequisites of successful partnerships. The degree in which schools encourage and facilitate the development of partnerships is one of the most important predictive factors of partnership involvement – the involvement is good in those schools which support and facilitate partnerships.

Schools must undertake the responsibility to prepare partners for active involvement and contribute to the training of parents and community members involved. There are few parents who really want to become involved in a partnership and schools must train them and community members and help them acquire partnership skills. In order to build an efficient team, schools must make efforts, spend time and work hard. These efforts are significant and thus they also require the support of local institutions. [14]

Successful partnerships must continue during high school education. Communication between family and school changes from secondary school to high school, but parents remain valuable allies for educators. Parents still have authority upon their children and their support is required outside school.

In order to make significant changes in our schools, family members must be involved in their children's education. However, in order to support such involvement they need the support of the school, of communities, of businesses and governmental institutions. As part of their effort to connect school and parents, school may:

Encourage parents and teachers to set the framework for the learning activities. They should set the objectives, expectations, and responsibilities of schools and parents, as partners involved in students' education. The framework should be drawn up in plain language.

Train the staff. Good schools value parent involvement and request their help. Some schools contact parents only when there are problems. Principals, teachers and other employees should be trained in order to be able to take part in partnerships and support them.

Make sure homework assignments also engage parents. For example, long-term projects which may involve parents in the learning process.

Assign parents decision-making issues. Parents must be involved in making decisions related to the education of their children. Schools must involve parents in making decisions regarding school standards and objectives.

Extend their working hours. If they are open in the afternoon, in the evening or on the weekend school will allow students and parents to participate in recreational or academic activities and will supply adult training programs and children instruction programs.

Create resource centers for parents. These spaces located within school premises invite parents to share their educational experience with other parents and become involved in educational activities. [15]

3.2 The Efficient Partnerships with the Community

Schools face many challenges and prejudice. They face daily unexpected requirements and issues, and they manage to deal with them providing the best educational options for every student, with the support of organizations and community members. Partnerships with the community provide solutions so that schools may contribute to the improvement of students' and their families' lives. The collaboration with the community may engage wide support systems. The resources outside schools and collaboration with families may contribute to both the improvement of learning skills and extracurricular abilities.

Schools must build partnerships with communities in a mutual effort to meet educational requirements. Many communities enjoy the presence of highly rated institutions such as museums, libraries, universities churches, theatres, and remarkable talents such as musicians, singers, writers and artists; these resources may be used to help students acquire knowledge and skills, which eventually would add value to their communities.

The relations built as part of school-community partnerships can be mutual and they may bring substantial benefits to both the community and students. The involvement of schools in such partnerships could increase the interest of community members in the public system of education.

Communities may support the connection between families and schools in many ways, such as:

Contributing voluntarily to the education of the new generation. Community members and businesses may support family involvement by extending the learning environment.

Playing a role in supporting the development of youth and families. Schools and families should be provided with community resources. Community organizations should provide services to families, such as child care, after school activities, parent education etc.

Supporting a flexible work schedule for parents. Employers should provide parents involved in school activities with flexible work hours, should provide them with training sessions during lunch breaks and also allow their children to visit them at work.

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POSSIBLE SOLUTIONS CONCERNING THE UNBALANCED INTEGRATION

Abstract: *Contemporary world is one of profound interdependencies: national economies can not function autarchically, market penetration through the identification and taking over of niche areas is conditioned by international specialization, domestic development is influenced by the economic and political extern environment, firm profitability is achievable through production denationalization and activity relocation.*

Each national economy is part of the global economic context, being forced to engage in and permanently develop exchanges with other economies. This necessity is determined by the objectives of economic development whereas the tools and outcomes of the entire process of integration into the global economic aggregate gives each state a special place in the global competition and hierarchy. International economic interdependencies become at the same time cause and effect in relation with the evolution of globalization, by stimulating essential transformations within economic activities, within the market, within economies and within the relations between them.

Key words: *dependence, interdependence, inequalities, economic crisis.*

Economic Globalization Between Dependence and Interdependence

Economic dependence (or vulnerable interdependence) and interdependence (mutual but not equal dependence) do not exclude each other as long as the second concept is defined as a mutual economic dependence between two or more states, involving a complementarity between outputs. “Interdependence affects world politics and state behaviour; but so do governmental actions influence interdependence patterns ... governments regulate and control transnational and interstate relations” [1]. States are more or less dependant on each other (as a result

of international division of labour, of consume-generated needs, of natural repartition of resources), and those who are fundamentally and absolutely dependent have the tendency to associate this dependence with economic underdevelopment. But they become vulnerable on the world market not so much as a consequence of dependence but of increasing underdevelopment which does in fact generate dependence understood as generalized subordination unparticularized under any aspect. This means a total lack of internal economic reforms associated with an obvious inefficiency of the political regime and social discipline. These aspects determine dependence, in the sense that the states referred to are strongly conditioned by market fluctuations and the low attractiveness is reflected in the low amount of capital that they attract.

When talking about interdependence we refer not only to that system of mutual and equal dependences that seem to fit the relations between developed states (in a continuous expansion after 1945) but also to that asymmetrical system that seems to be the foreground of the dominating relations leading to the “full manifestation” of dependence relations. When countries seem to be on an unequal footing it is possible for “a perverted policy to intervene” or for a “coordination of policies to be aggressively enforced”, a fact with has harmful consequences upon the welfare of dependent nations, and which sees to the fulfilment of strong nations’ interests [2]. Interdependence could thus be just another manifestation form taken up by dependence, the cosmeticized existence of which has prevailed due to the wide political democratization and to market globalization. Moreover, the negative connotations of the concept are highly diminished as compared to those of the concept of dependence. Yet interdependence is not possible among the extremely unequal units of the system, the suggested homogeneity being incapable of covering the heterogeneity of the world we live in.

Interdependence, be it economic or political does not exclude the idea of power, does not exclude the existence of a leader (organizing or stabilizing) meant to capacitate the other less strong states, by engaging them in other states’ process of economic growth or political dominance. The United States of America for instance have, at least so far, acted as a super-power, and as a hyper-power after the fall of communism, by drawing its resources from the industrial and financial domination, juts as from the political and military power. It is in fact what the American professor Robert O. Keohane calls “hegemonic cooperation”, a “non-hegemonic cooperation” being difficult to accomplish between

independent states motivated rather by their own concept of interest than by a truthful allegiance to an idea, to a common good [3]. As a matter of fact, cooperation does imply more than just common interests.

The analysis of the world economic system, with its component elements, their interrelated actions within and with the system requires a correct interpretation of the relation between the ever increasing process of interdependence which takes on multiple forms and the independence process which does not affect or sacrifice the former, just as interdependence and dependence do not exclude each other, but on the contrary are mutually enriching [4]. The independence of national economic development does not exclude the inter-dependences specific to the international stage which make each national economy accomplish its functions (of subsystem) on the one hand, and on the other hand act together with all the others upon their functions of integrating system, at a regional or global level.

Globalization and Inequalities Increasing

The global divides which are a reality and which will become even more serious, will be measured in terms of “having” and “not having” and will separate the reach from the poor, and the competitive economies from those economies incapable of profoundly and efficiently adapt to the requirements of globalization.

But not globalization is the source of inequalities. It can only accentuate them, if anything, as a result of the fact that the pace of the integration process differs from one economic region to another. Inequalities need however solutions, at least in terms of diminishing discrepancies. This requires a correct multidimensional interpretation of the situation with a view to elaborating and applying the most adequate strategies, tailored for each particular country albeit from the same geo-economic area. It should take into account not only their profound content but also their multiple effects (with favourites and limits) within the dynamics of world economic order. Problem solving entails more than the mere identification of problems and of the effects generated by them. The main factors determining such functionalities have to be looked for and action needs to be taken first in their direction. We refer to the policies, conditions and rules governing the integration of national economies into the international space. If policies belong to the internal domestic domain, conditions and rules are the result of international forces.

As a consequence, since the problems states are confronted with are common, it seems logical that a joint efforts should be made in order to identify solutions that favour most of the participants.

Some Ways of Solving the Unbalanced Integration

The complexity of the economic political international system requires it to be reconceived, reorganized and acted upon. Complexity, far from being a bad thing as long as it is appropriately managed, can be traced back to diversity, ambiguity, interdependence and fluidity. If diversity rises from consumption needs of the most diverse, from the variety of national political economic and legal environments, from the multitude of projects imagined by competitors in order to come off victorious, from different cultural values, ambiguity originates in the huge amount of available information that needs to be processed in order to identify the “real”, in the multitude of studies and reports that can not be taken for granted given the paradoxical incertitude of the results obtained with the most modern strategies, in the difficult process of correctly determining the cause-effect relation, and in the rejection of the current system of values and embracement of a new system of pseudo-values. This unprecedented interdependence is explained by the network of dense relations and the almost instantaneous impact that each particular move has upon the whole. Opportunities come and go, multiple risks are common, processes are mutually conditioning, and the good or bad things that happen to us seem to be less locally rooted. As far as fluidity is concerned, it actually refers to the changing nature of things, resulting from the velocity of things and events, of the ever changing international environment in search for a stable orderly and functional structure governed by predictability.

The imbalances inherent to the process of integration can be grouped into two categories: on the one hand there are the “normal” inevitable ones drawing upon the different levels of development characteristic to the states engaged in this process, which are not likely to be overcome but merely attenuated, and on the other hand there are those malfunctions that become visible due to their aggressiveness manifested when the driving mechanisms of world economy crash and need to be rebooted. The two types of negative effects require different but related solutions. The remedies for both types of consequences are of both an internal and an international nature and their action should definitely aim

at all political, legal, economic-financial and social sectors.

The straightening out of “accepted imbalances” might imply:

- redefining the role of developing states’ governments;
- more rigorous governmental platforms worked out by responsible political leaders;
- providing food for all the inhabitants on the Earth;
- financing infrastructure development in the poorest regions of the world;
- setting up favourable crediting conditions for the developing states that manage their economy appropriately;
- increasing the efficiency of foreign aid;
- discouraging short term capital flows and encouraging long term ones;
- reforming international trade;
- promoting regional integration.

As for the system affected by the economic crisis it could be stabilized by:

- reforming the public sector;
- state’s intervention in real economy;
- reforming the international financial system;
- avoiding “reinstating” or accentuating commercial protectionism;
- paying attention to less developed states;
- international cooperation;
- setting up lessons learned as a strategy guide for crisis to come.

As a Conclusion

Nowadays, the future proves to no longer be a continuation of the past. This is why, Humankind is faced with a new situation presumably unanswerable: how unsafe its future really is?

The economic landscape and global governance will undoubtedly look differently – the current crisis will manage to accomplish what the two decades of development that elapsed since the end of the Cold War have not been able to fulfill.

The main challenge relies in the degree of power and will necessary for the promotion of international cooperation in a world in which the return to national solutions is extremely tempting.

On the whole it is multilateralism and not nationalism that can offer most of the answers to the current situation. The only thing that’s left is to

clearly define the roles that are to be played both by national governments and global actors.

Reaching the objectives of economic-social development entails a normative evaluation of globalization, and a discussion among policymakers on the viable solutions meant to do away with the hazard generated by global competition.

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GLOBALIZATION, TECHNOLOGY AND COMPETITIVENESS: FROM INDUSTRIAL REVOLUTION TO KNOWLEDGE ECONOMY

***Abstract:** The world is experiencing a new revolution – the knowledge revolution – fuelled by the technological change. In the same time, globalization and competitiveness are two concepts used to explain modern trends in economic development. This paper analyzes the relationship between globalization, technology and competitiveness. Globalization and technology are linked and they have generated great shifts in the national competitiveness of countries. In a broad sense, industrial revolution can be seen as a change of technologies used to produce goods, services and information. Looking back at the last two centuries we see industrial revolution as a transformation in 4 stages: first stage – textiles; second stage – steel and railway; third stage – chemicals and electricity; fourth stage – information and communication technologies. In all these stages countries have experienced specific forms of globalization and the engines of growth and competitiveness have changed.*

***Key words:** knowledge economy, globalization, technology, industrial revolution, competitiveness*

***JEL Classification:** O30, F01, D83*

Where we are now?

A short answer to this question could be: we are experiencing “knowledge revolution”. The knowledge - based economy is a concept emerged in the 1990s, and the names of Lundvall, Foray or Nelson are related to previous concepts like learning economy or learning society, and some other related issues like national system of innovation. OECD’s

contribution to a systematic definition of this concept was very consistent. In 1996, the OECD defined knowledge based economies as „economies are directly based on the production, distribution and use of knowledge and information” (OECD, 1996). More recently, Benoit Godin (Godin, B. 2006) says that the term knowledge economy referred to at least two characteristic of the new economy: (1) knowledge would be more quantitatively and qualitatively important than before; (2) applications of information and communication technologies (ICT) would be drivers of the new economy. Houghton and Sheehan (Houghton, J., Sheehan, P., 2000) introduced globalization between the drivers of knowledge economy: *the knowledge economy is emerging from two defining forces: the rise in **knowledge intensity** of economic activities, and the increasing **globalization** of economic affairs.* The rise in knowledge intensity is being driven by the combined forces of the information technology revolution and the increasing pace of technological change. Globalization is being driven by national and international deregulation, and by the IT related communications revolution. The increasing knowledge intensity involves both the increasing knowledge intensity of individual goods and services, and the growing importance of those goods and services in the economy. The second main driver of knowledge economy is the rapid globalization of economic activities. While there have been other periods of relative openness in the world economy, the pace and the extent of the current phase of globalization is without precedent.

What we want?

In our history, we wanted growth, development and now we want *competitiveness*.

The facts: we are living in a globalized world. Globalization and technology are linked and they have generated great shifts in the national competitiveness of countries. The link between globalization and technology is old as globalization concept. We can use the term *globalization* to refer to a set of historical processes. Economic globalization occurred when all populated continents began sustained interaction in a manner that deeply linked them through global trade. According to Dennis O. Flynn and Arturo Giraldez (Flynn, D.O., Giraldez, A. 2002) global trade emerged when 1) all heavily populated continents began to exchange products continuously – both with each other directly and indirectly via other continents and 2) the value of the goods exchanged became sufficient to generate lasting impacts on all

trading partners. Important international trade existed before 16th century, but there was no direct link between Asia and America before the founding of Manila as a Spanish entrepot in 1571.

We also can see globalization as a 20th century process that occurred after the Second World War. This interpretation of globalization defines it as an internationalization of production and exchange. Due to the convergence of living standards and uniformity of consumption patterns in developed countries, corporations increasingly reason in global terms and adopt global strategies in order to take advantage of economies of scale. This interpretation of globalization is related to our study, because the multinational corporations are the channels for innovation and technology's diffusion.

Globalization makes possible technological convergence, a key factor of competitiveness.

Technology is the engine. Technological change has been a powerful driver of growth in the last two centuries. If we consider growth as a component of competitiveness - the core issue of today's economies, we have to study if it is any link between technology and competitiveness.

The level of technology in a country can be seen as a result of two processes: technology creation and transfer of technology (Weil, D.N., 2009). Creating new technologies requires investment, and the nature of this investment has varied greatly across different places and times. Modern economies devote vast resources to R&D. The contribution of government and private sector is very different across countries. For example, in USA most R&D spending (about 65% in 2006) is undertaken privately by firms which spend a great deal of effort tinkering with production processes in order to raise quality or lower costs. This kind of R&D is also known as "shop – floor R&D". Inside European Union the values for the 27 members are very different: from 66,6% business enterprise spending on R&D in Finland to 15,9% Italy in 2006. Technological transfer is conditioned by technological readiness and the globalization level of the economy.

Competitiveness is the result. The best known interpretation of competitiveness at macroeconomic level is proposed by Michael Porter and World Economic Forum. They define **the national competitiveness as a set of factors, policies and institutions that determine the level of the productivity of a country.** Raising productivity - meaning making better use of the resources – is the driving force behind the rates of return on investment which, in turn, determine the aggregate growth rate of an

economy. Competitiveness is directly related to knowledge, technology and globalization. Diffusion of technologies is one of the main drivers of competitiveness

What can be done?

We agreed that raising productivity is the best way for a country to improve its competitiveness. When productivity improves, the same quantity of factors of production can be combined to produce more output. A natural explanation for productivity improvements is improved technologies. Technological change has always been a powerful driver of growth. The economic science try to answer at least at two questions regarding technological change: what explains the technological progress itself, and what explains differences in the level of productivity among countries today.

Technological change has been a powerful driver of growth in the last two centuries. If we consider growth as a component of competitiveness - the core issue of today's economies, we have to study if it is any link between technology and competitiveness.

Lessons from history: technology and knowledge from industrial revolution

The most significant turning point in the history of technological progress was the Industrial Revolution, so we can look back in time for solutions. Some specialists (O'Rourke, K.H., Rahman A.S., Talyor A. M., 2007) look at knowledge revolution and industrial revolution as two parts of the same historical process: *Why that nineteenth technological progress is hurt skilled workers, while twentieth century technological progress hurt the unskilled? That two episodes, which seem on the face of it to be contradictory, can be understood within a single analytical framework and were parts of the same broad historical process.*

Knowledge economy / society in the pre-industrial age can be understood looking at the role of knowledge and science. In the pre-industrial age, the economic value of science was limited: the funding structure of scientists was strongly elitist based. It is important to emphasize the fact the history also contains several well documented instances of technological regress (Aiyar, S., Dalgaard, K.J., Moav, O. 2008): *the literature neither elucidates nor seriously engages with the fact the history contains several well documented instances of technological regress – lengthy periods during which important*

knowledge was lost. Some examples of lost knowledge and technological regress are cement, state of medical sciences or Tasmanian civilization.

The big step forward in knowledge creation and diffusion was industrial revolution. In a broad sense, industrial revolution can be seen as a change of technologies used to produce goods, services and information. Looking back at the last two centuries we see industrial revolution as a transformation in 4 stages: (1) first stage – textiles; (2) second stage – steel and railway; (3) third stage – chemicals and electricity; (4) fourth stage – information and communication technologies.

The industrial revolution laid the foundation of the transformation of the economy from agriculture to industry; with it, not only living standards rise, but also the location of life changed, from rural communities to metropolitan megalopolis. The scientific revolution of the past century has resulted in the systematization of change itself: the very process of producing new innovations has been altered, from isolated and independent inventors like Thomas Edison, to huge laboratories. Knowledge and information is being produced today like cars and steel were produced a hundred years ago.

Before the period of Industrial Revolution, which J. Mokyr calls “Industrial Enlightenment” (Mokyr, J., 2002), there had been inventions and innovations, but they had not coalesced to produce what W.Rostow with his theory about stages of growth called in the 1960s as “take – off”. Mokyr argues that before 1800, much of the technological progress was in the area of prescriptive knowledge and led, in particular, to singleton techniques. He makes the distinction between two kinds of knowledge: prepositional knowledge, which focuses on how nature works, and prescriptive knowledge, which focuses how to use techniques. The widening of the epistemic bases after 1800 was signaled a phase of transition or regime change in the dynamic of useful knowledge. In particular, the development of positive feedback between prepositional knowledge and prescriptive knowledge led to powerful innovation effects. Mokyr also argues that the Industrial Revolution of 19th century was built on the scientific revolution of 17th century and the Enlightenment movement of 18th century. Moreover, Mokyr argues that ***Industrial Revolution was not so much driven by lone individual heroic inventors, but by a social network for innovation.***

The main lesson from Industrial Revolution seems to be this one: if we want knowledge, information and technology, we need networks and national and international policies

Conclusions

The relationship between globalization, technology and competitiveness is easy to understand looking back at the Industrial Revolution, as an example of similar transformation. We agree the idea that the recent transformation processes of IT and communications technology are parts of industrial revolution, in a broad interpretation. We also need strong policies for stimulating networks of information, for creation and diffusion of knowledge and new technologies.

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FINANCIAL MECHANISM COMPONENTS

Abstract : *Throughout the financial mechanism as a component part of the economic mechanism the state works with the help of the bodies set up within a legal system, public authority one the one hand and as producer and consumer of goods, supplier and consumer of services, organizer and financier of insurance and social protection, banker and loaner contractor, insured and/or assured on the other hand. The components of financial nature which make up the financial mechanism have a complex structure and comprise the financial system, the economical-financial system used by the state to influence economic activity, administrated masters in management, used in finance, the institutional framework and the juridical system for the procedural readjustments within finance in general. And , in a special way, for the public ones.*

Keywords: *Economic mechanism, financial mechanism, producer and consumer of goods and services, the financial system, the economic financial.*

JEL Classification:

Within the market economy the state can no longer interfere in the private sector of the economy thought administrated masters that were imposed as a consequence of some super centralized decisions.

The alternative solution is being offered by the use of economic financial system in accordance with the demands of economic financial and social politics that were promoted.

It is through this that one can influence the activity of economic operators as we like it.

It is within this context that the reforming and modernizing of the fiscal system becomes an integral part of the economic reform.

Both condition the success of reforming Romanian society as whole having a decisive way in insuring economic and social balance.

After 1989, many changes have taken place in a politic, economic, social, cultural plan which entailed adequate economic financial politics and mechanisms.

By passing from a super centralized system to a market economy was rather difficult after a period of transition witch unfortunately was too long. To insure the working out of such mechanisms the high demand is for fiscal economic politics to back economic programs on short and long term.

The most well-known economical financial system are those which come out of the public finances area where the central role is being played by those which entail fiscality, taxation and taxes.

The financial system may have a positive influence in determining the economy behavior of economic operators as being compared to the target objectives. By using them efficiently they can be incentive for some economic processes or they may discourage or prevent others.

Firstly we have in view the effect of co-interest of economic operators by incentives of fiscal, financial nature. And secondly we have in view the limiting of their working out.

Within the present context the evolution of the economy is being influenced by the way in which specific economic politics are being promoted and implemented.

First of all is about monetary politics and the credit one , but the means and systems that the executive power ask for are insufficient. The central bank which proves to be much rigorous than the government which is being political most of the time is the main domain.

Secondly, the fiscal policy comes with sufficient and financial fiscal instruments for the government. They are not numerous, they can be used efficiently if they are known and if one proves to be efficient, skilled and hardworking in putting them into practice.

And the third set of politics are offered by budgetary politics which offers systems that the government can use. The budgetary politic of cutting down public expensive is the critical point of the government where not all demands of the international IMF has answered. The executive power although had at hand the putting into practice of some measures of cutting down public expensive is looking for solutions to increase the income by complementary ways such as:

- Rendering profitable some unities concerning the right for pollution in Romania

- selling minority participation owned by the agency of turning into account of state assets.
- Selling by local authorities of the areas with houses owned by citizens
- Over taxation of the income for some companies due to hexogen factors

Speaking about the economic and financial meaning, this concept is an organizational frame of leading and developing the economic and social processes. An important place is occupied by the financial and monetary processes.

In general, the financial mechanism contains the amount of cash flow in the national economy. It is composed by processes, techniques, methods, procedures and instruments which carry out and adjust the cash flows and also aim to meet the demands of a normal deployment of the economic processes.

The function of the financial mechanism in the financial activity is directly expressed and incarnated by transactions and cash flows in the currency which circulates between stakeholders in the production, repartition and consumption of private and public goods and services. Such processes, along the transfers and the cash flows, are also financial and monetary processes. That's why the specified mechanism can be called a financial and monetary mechanism.

The financial mechanism is simply and pragmatic defined as an organizational and leading system of the financial cash flows in correspondence with the cash flows that circulate in the economy.

By this point of view, the financial and monetary mechanism offers an organizational and institutional frame that is necessary to the circulation of the cash flows. Its objective support runs from the cash flows in their liquid form, interrelated with their material form.

The financial mechanism can be approached from a sum of sub mechanisms which carry on the print of the social and economic system in which they function as a global mechanism and also at a macroeconomic and microeconomic level. Its specific characteristics meet the general political decisions which are promoted by the groups in which the executive power is exercised.

The transformations made in the transitional period, such as the transition at the market economy, implied a replacement of the economic and financial system used in the consolidated socialist economy, with an adapted mechanism of the market economy in all the possible ways.

From this point of view, even in the modern society we can distinguish two different types of the economic and financial mechanism: one for the open market, based on the self-regulation processes but with an limited character, and the other which correspond to the past etatist-socialist economies.

Making a review, the economic mechanism, including the financial and monetary one that is specific to the etatist (socialist) economy, was conceived like a whole of processes, techniques and instruments of total control of the state over all the activities. It was based on the reorganization and re dimensioning this mandatory stipulation, using a planned system as a fundamental instrument of regulation of all the cash flows.

The contestation of the regulation role of the open market in this economy, statuated the obligatory leadership of all the activities, such as the financial ones, using balances and plans approved by the statal organism which are meant to reorganize and redefine the dimension of the real cash flows (such as the financial and monetary ones) of the constitution and distribution (utilization) of the cash flows which were merely public.

If we compare, in the open market, the economic and financial mechanism is based on the self-regulation processes which come from the legislative system , adapted to the new demands.

The correct frame in which the cash flows circulate with the help of the economic and social mechanism created, is influenced by the economic doctrine that controls every state.

Under this aspect, the difference between the two great tendencies of modern economic doctrines, the keynesism and the monetarism, are visible. The first is orientated on the total intervention of the state in the economy which presumes adopting a mechanism which implies a great implication of the state in the regulation of the cash flows. The other one implies advantages of the private initiative and promotes a much simple mechanism, based on the self-regulation of the financial and economic cash flows, diminishing the interventions of the state in the economy.

Components of the financial mechanism

In the financial mechanism we can find these components:

- the financial system as a ensemble of financial relationships

- the financial and banking institutional system and the financial and banking device which helps at the organization and the use of the cash operations
- the cash flows which are administrated by the participants in the process of reproduction
- the financial and economic levers
- the legislative system which regulates some procedures of the financial and monetary operations

The financial and economic levers

Between all the components of the financial mechanism, the most important role is played by the financial and economic levers. Obtaining a full effectiveness in the economic activity can be made only when there is a correct allocation of the resources in the national economy and when these resources are used efficiently.

In this case, there is a need of using the economic and financial levers as financial instruments of leadership which will help completing the objectives of the economic and social development.

For a normal development of the social and economic activities, there has to be applied some specific technical methods for the circulation of the cash flows. That's why, there is a need of predictions and some correct planning of the social and economic activities. The time runs different for these instruments because they all have different objectives implemented by the state or by different economic entities, distinguishing the ones that are made for a short, medium or for a long term. The positive impact of using these instruments is concretized in the financial plan through the prevention of the financial bottoming; adjustment in the cash flow disorder and increasing efficiency in the use of the financial resources.

The general form of the financial instruments used in the regulation of financial activities is represented by the financial balance. The financial balance concretized after a certain diagram the financial resources that can be purchased and used at the micro and macroeconomic level and also the following destination of these resources.

Financial instruments are actually value categories used to manage, to control the economic and social activity and also the banking system to obtain superior results.

The financial instruments can be:

- **financial strategy, plan and program** implemented to a national, regional and local level such as: financial balance, multi annual state budget, local budget, based on which can be estimated the required volume of the resources and the possibilities to achieve them
- **working methods and techniques** to constitute and to allocate the financial resources or systems analysis indicators to quantify the economic efficiency of the activities undertaken.

Methods and procedure of sampling some financial resources to public funds and then supervising them to credit users. It refers to the tax system which contributes in the formation of the public incomes.

Sampling instruments, guidance and influence of social and economic process such as economic levers or tax financial levers.

Recourse to the use of financial levers implies the existence of an inter conditionality between them. It is necessary to continuously monitor the positive effects of the use of leverage will not lead to achieving the opposite effect requiring the use of another lever.

The main functions of the financial and economic levers are:

- **means of dimensioning-** of the necessary financial resources to be created and used in the national economy - economic and financial leverage refers specifically to net revenue at the microeconomic and macroeconomic;
- **means of alert, control and adjustment-** the economic and financial levers enable same analysis and decision for an optimal adjustment of the economic contrivance.
- **means of incentives, penalties for entities and their employees-** the financial levers should arouse the interest of economic agents, but in the main time if the obligations required by law are not respected, they should act as a means to sanction material
- **means of quantifying the efficiency** with which resources should be used for material, financial and human improvement levers in each hand, but their matching, so that more and more together to get a multiplier effect

Conclusions

It's particularly important to know how runs the economic mechanism in the market economy. In contradistinction to controlled economy, with her "advantages" regarding the management and the supervision of the economic process, the market economy require intelligence and ability based on the knowledge and application of specific rules and mechanisms. Lack of operation mechanisms, not strictly

political responding to commands becomes detrimental to ensuring economic and social balance

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A NEW CONFIGURATION OF MODERN TRADE? DEPARTMENT STORES VERSUS VARIETY STORES

Abstract: *The department store and the variety store are the oldest kinds of unspecialized stores in the modern commercial landscape. They have gone through several development stages starting by middle 19th century. Although different as market position and strategy, sometimes their evolutions intersected, influencing one another and determining changes in their individual policies.*

Keywords: *department store; variety store; unspecialized stores; strategy*

JEL: *L81, M31*

Le commerce de détail est un domaine qui comprend toutes les activités de vente de biens et de services directement vers les consommateurs finals, pour être utilisés en but personnel et non pas en intérêt d'affaires, tout en représentant ainsi la chaîne intermédiaire la plus importante dans le circuit commercial des produits. Le commerce de détail couvre toute la gamme de produits qui se commercialisent et se réalisent par les producteurs, en – grossistes, etc., mais le taux d'activité de cette forme de distribution est réalisé par les détaillistes qui, par le biais de la spécificité de leur travail, tirent des profits seulement par l'activité de commercialisation des produits et des services vers les consommateurs finals. Les principales formes de vente se réalisent par les magasins, mais les dernières années on assiste de plus en plus à l'apparition d'autres formes de vente de détail - par la poste, par téléphone, à domicile et notamment par Internet.

Un produit ne peut accomplir son rôle que si au moment où il rentre dans la consommation finale, satisfait le besoin du consommateur qui l'a acheté. Le chemin des marchandises depuis le producteur vers le consommateur n'est ni simple, ni court, ni pas cher. Par conséquent, la liaison entre production et consommation a mené à l'accentuation de la diversification de la production, de la croissance de la consommation et au

développement des relations de marché ainsi que l'activité de distribution a connu un développement rapide, à présent étant une des plus dynamique activités. Depuis quelques dizaines d'années, le processus de distribution par le commerce de détail a connu des changements profonds: supermarchés, hypermarchés, magasin spécialisés. Notre article portera sur le commerce à dominante non alimentaire, et tout particulièrement sur le commerce non spécialisé, qui se déroule en magasins de type grands magasins et magasins populaires.

Concernant le grand magasin, sa définition comporte des différences selon le pays ou bien il n'y en a pas, tel que c'est le cas de notre pays. D'après l'acception de l'Association internationale des grands magasins, on peut le considérer un point de vente ayant au moins 2500 mètres carrés et un assortiment large et profond de différents catégories de produits non alimentaires. Il est situé, principalement, au centre des grandes villes, occupe un ou plusieurs établissements et plusieurs étages. De plus en plus souvent, on les retrouve aussi dans les centres commerciaux. Ensuite, à partir de la distinction concernant la surface minimale, il y a des différences notables entre les différents magasins des différents pays, y compris la surface. La diversité de l'assortiment est une caractéristique de base des principales chaînes de grands magasins, mais les prêts-à-porter et les produits textiles prennent la première place. Les différences surviennent au niveau de la dimension du rayon alimentaire et pour ce qui est du rayon bricolage et équipement maison. Ce sont les grands magasins de dimensions plus réduites qui se penchent plutôt sur le rayon prêt-à-porter. En traçant leur parcours, les grands magasins sont apparus lors du XIX e siècle, en connaissant un développement bien considérable jusqu'au tour des années soixante-dix lorsqu'on considère qu'ils avaient fini leur trajet de gloire, et notamment car dorénavant ils avaient parcouru un chemin plus sinueux, pigmenté de plusieurs difficultés. C'est les années 90 qui viennent se constituer en une étape de relance.

Ainsi, au fil de ses étapes de développement, on mentionne:

- le nombre croissant de la population dans les grandes villes, la production accrue des bien non alimentaires et les commerces, lors de la deuxième moitié du XIX e siècle, ont créé le cadre de leur apparition;
- les commerçants ont compris qu'il fallait bien des magasins plus grands à une offre plus consistante en libre service et à des prix plus petits, dans la mesure du possible, que dans les boutiques traditionnelles;

- les français étaient les premiers à mettre en place de tels magasins (1852 - Le Bon Marché; 1855 – Magasins du Louvre; 1865 - Printemps). Puis, ils ont commencé à apparaître aux Etats- Unis et dans d'autres pays de l'Europe;
- cela s'est bien développé jusqu'aux alentours des années '70, même s'ils ont également connu des moments difficiles lors des crise économiques ou bien des guerres qui ont eu lieu;
- par contre, la conjoncture devient de plus en plus difficile par la suite, une fois avec l'apparition des hypermarchés et du développement des supermarchés et des magasins spécialisés;
- c'est ce qui a poussé les responsables des grands magasins à repenser leurs stratégies de manière à faire face aux menaces de plus en plus puissantes des compétiteurs d'autres structures de distribution: diminution des prix; des coûts d'exploitation; création de marques propres. Seule l'Espagne a réussi à bien augmenter cette forme de vente alors que dans les principaux pays occidentaux on a constaté une diminution notable.
- par contre, à partir des années '90, la revalorisation des centres villes tout comme les restriction prévue dans plusieurs pays concernant les nouvelles ouvertures de magasins ainsi que la saturation du commerce en zone périphérique dans les pays occidentaux, ont bien favorisé des changements dans le spectre de la présence des grands magasins.

En 1852, Boucicaut fait éclater le commerce avec la création du premier grand magasin, le Bon Marché. Il invente une large part des repères du commerce moderne: marges petites compensés par l'importance de la quantité, rotation rapide des stocks, libre service, les prix en étiquette, vitrine utilisée pour la publicité, promotions, etc. Les grands magasins sont s'étales la plupart des cas sur plusieurs niveaux. On y trouve les rayons hygiène-beauté et les accessoires au rez-de-chaussé puis, dans les étages supérieurs, les équipements maison, mais ce n'est pas obligatoire car cela revient à la politique du magasin.

Dans l'ensemble, le nombre de grands magasins a diminué avec le temps, et leur taux de marché a continuellement baissé. Par contre, c'est bien vrai que les achats en prêt-à-porter et équipement de maison ont beaucoup augmenté, mais dans la plupart des pays c'étaient les magasins populaires qui ont attiré une partie des ventes des grands magasins; autrement, ceux qui ont profité le plus c'étaient les grandes surfaces spécialisées et les hypermarchés. Ces derniers ont apporté aux consommateurs une offre plus intéressante y compris par le biais du prix,

lorsqu'il s'agit des hypermarchés, par prix et embarras du choix, pour ce qui est des grandes surfaces spécialisées.

Aux États-Unis, les grands magasins détiennent toujours une place importante. C'est peut être aussi parce qu'il y en a un type différent de grand magasin qu'on ne peut pas trouver au sein des pays européens. Il s'agit du discount département store ou bien grand magasin discount. Ce sont des magasins ayant une surface entre 5000 et 12000 mètres carrés qui vendent des produits de qualité moyenne à des prix discount modérés vers discount, en enregistrant des marges plus petites. Ceux-ci ressemblent à ce que les hypermarchés proposent comme produits dans les rayons non alimentaires. La principale enseigne y est Wal-Mart. C'est dans sa politique de garder toujours les prix bas, de réduire au maximum les promotions, gérer plus attentivement leurs stocks. En même temps, depuis quelques années, il a rajouté un secteur alimentaire dans le cadre du magasin qui rend encore plus intense le passage des consommateurs, car ils y viennent encore plus souvent pour acheter des produits alimentaires.

Un exemple encore plus particulier dans le paysage des grands magasins c'est Marks&Spencer qui propose plus le prêt-à-porter en ne vendant que des produits sa marque St Michael, avec un secteur alimentaire plus faible et qui ne varie pas. C'est pourquoi il est au carrefour entre grand magasin, magasin populaire et grande surface spécialisé.

Pendant les étapes de croissance et de soucis, les grands magasins ont été obligés de mettre au point des nouvelles stratégies pour limiter la chute, créer des sorties et rester rentables. Le plus souvent, on repensait le changement de l'assortiment, des nouvelles formules de vente et la réalisation du différenciel d'une autre manière et même l'implantation à l'étranger. Pour mieux faire face aux situations de crise et bien pouvoir réaliser de telles démarches, on a créé des alliances stratégiques entre les magasins. Le changement de l'assortiment supposait son adaptation à l'évolution des concurrents et du marché, tout en réduisant la largeur mais en offrant l'embarras du choix dans le cadre des produits existants. On renonçait en un premier lieu aux produits qui comportaient des difficultés par rapport à leur transport ou à des produits qui constituaient les grandes ventes des grandes surfaces périphériques. Alors, on a bien développé le prêt-à-porter pour lequel le prix joue un rôle moins important que le service, la qualité de la présentation ou la possibilité du choix. Les chaînes de magasins ont mis leur touche, d'un côté en restructurant leur assortiment et, de l'autre, en se repliant en fonction de la moyenne des

prix pratiqués et de l'importance plus ou moins grande de la mode dans l'offre commerciale. Certains ont des prix élevés, mais proposent un assortiment comprenant de grandes marques en prêt-à-porter, de bonne qualité voire de luxe, à côté d'un bon service. Par conséquent, l'aménagement du magasin, la présentation des articles et l'atmosphère d'ensemble sont cohérentes avec l'image recherchée. Une telle stratégie n'est pas sans inconvénients car favorise la comparaison des prix de la part des clients et la tendance d'homogénéité de l'assortiment proposé par de différents magasins. D'autres magasins choisissent un positionnement de prix plus modéré et accordent plus de place à leurs propres marques qui leur permettent de faire face devant d'autres sorte de magasins par rapport aux soldes des produits de luxe. De plus, les groupes auxquels les grands magasins appartiennent ont développé aussi d'autres services et activités. Il y en a qui ont opté pour une diversification vers des formes en plein essor, hypermarchés et grandes surfaces spécialisées. C'est une orientation expliquée par le stade atteint par les grands magasins. Ce sont des démarches qui ont permis aux distributeurs à continuer leur développement et à réaliser du profit. Les chaînes de grands magasins sont entrées dans des groupements internationaux et en réseaux de franchise. C'est ce qui se traduit par un modèle similaire à un centre commercial qui, par location, cède de l'espace à d'autres commerçants. Cela permet l'implantation à l'étranger, en réduisant les risques et notamment les investissements directs d'un montant extrêmement grand.

L'avenir des grands magasins se rapportera aux caractéristiques de l'offre et de la demande, à la concurrence et aux soucis liés à la gestion tellement coûteuse. Il faut alors un très bon management accompagné d'une puissance financière. Le principal facteur critique de succès sera la capacité de réduction des coûts par la diversification de l'offre d'une façon efficace. C'est quand même une forme qui reste assez importante pour les centres villes, alors que les grands achats se font toujours, généralement, en périphérie et dans les centres commerciaux. Une fois de plus, une législation favorisant le commerce en ville aiderait beaucoup.

A son tour, le magasin populaire est un magasin à plusieurs rayons, ayant une surface moyenne de 1500 mètres qui vend en libre service un assortiment large et peu profond d'articles de consommation courante. En plus des secteurs textile et bazar, le magasin populaire offre généralement des rayons alimentaires qui, selon leur surface, peuvent constituer un supermarché classique; il est implanté le plus souvent en centre-ville et dans les quartiers le mieux cotés. Ces dernières années, la surface des

magasins populaires est en augmentation, alors que les petits magasins populaires ont fermé au fur et à mesure. En ce qui concerne leur organisation, les magasins populaires supposent deux parties:

- une pour l'alimentaire et les produits de droguerie et entretien; on y trouve également des rayons traditionnels (fromage, boucherie);
- une zone non alimentaire où on peut retrouver la bijouterie, l'habillement et l'hygiène.

Le magasin populaire propose des produits courants, d'une large et peu profonde famille de produits, dans l'alimentaire et le non alimentaire. La largeur de son offre l'identifie à un hypermarché; pourtant, avec ces 1500 mètres carrés en moyenne, il est plus proche d'un supermarché. On insiste aussi en produits de mercerie, papeterie de façon qu'il y ait une clientèle assez importante qui le préfère au lieu d'aller jusqu'à un hypermarché pour ce type d'achat. En conséquence, le magasin populaire est le seul type de magasin à avoir une offre si complète dans un quartier. Les magasins populaires sont en grande proportion implantés en ville. Cela permet à être facilement fréquenté, pire en voiture à cause des problèmes de parking – en n'y offrant pas ce service. Par conséquent, les gens se déplacent en transport en commun ou à pied. Le tas de consommateurs qui débarque dans un tel magasin est constitué par des gens plus aisés, célibataires et les couples jeunes.

L'inventeur du magasin populaire ou variety store a été Franck Winfield Woolworth, en 1873. Au début, ces magasins ont attiré beaucoup de consommateurs par les prix moins élevés proposés grâce à des coûts de gestion mieux gérés. C'était surtout le cas pendant des périodes de crise. En Europe, ils ont vu le jour tout d'abord en Angleterre et ont connu un bon succès dans les années '20 et '30. Ensuite, après la deuxième guerre mondiale, ils se sont répandus en Europe tout en ayant un bon parcours jusqu'aux années '70, tout comme pour les grands magasins. Sur le même effet, la concurrence se consolide notamment par l'apparition et la croissance des hypermarchés. C'est pourquoi les magasins populaires doivent repenser leurs assortiments et restreindre leur activité par la réduction du nombre de magasins. Selon les pays, on ne parle pas seulement de la concurrence des autres types de magasins, mais aussi de la concurrence des grands magasins; un bon exemple serait le cas de l'Espagne où les grands magasins ont gagné du terrain encore plus après les années '70. Un autre aspect, le développement des grands magasins tient aussi du taux de pénétration du commerce moderne dans les

différents pays, en fonction et du pouvoir d'achat et du comportement du consommateur par rapport au commerce traditionnel.

Devant un déclin évident, les chaînes de magasins populaires ont recours à un repositionnement des assortiments, des prix et à la création des marques propres. Pour ce qui est de l'assortiment, les magasins populaires ont diminué le nombre de rayons dans le but d'une spécialisation plus accentuée pour ainsi devenir plus rentables. C'est pourquoi, on a choisi se spécialiser plus sur des produits non alimentaires (prêt-à-porter, chaussure, accessoires, produits de beauté ou bien bricolage et équipement maison) ou bien plus sur des produits alimentaires. Par rapport au prix, il y a eu des magasins populaires qui ont visé une population à des revenus plus petits en choisissant des produits moins qualitatifs. Par contre, cela n'a pas toujours donné les meilleurs résultats. Autrement, c'était plutôt la création de marque qui s'est avérée à être une stratégie plus intéressante. Le meilleur exemple, au moins pour une bonne période (même si l'on a appris les difficultés passagers de ce magasin), c'est Marks&Spencer qui a réussi se créer un nom dans le secteur du prêt-à-porter et puis pour l'alimentaire. Il a créé sa propre marque tout en offrant un bon rapport prix-qualité.

A son tour, l'avenir du magasin populaire n'est toujours pas en clair même plutôt sombre. Premièrement, la présence réduite dans certains pays ne lui permet pas de faire face à la concurrence au niveau des prix et non plus de développer leurs propres marques. Les fusions seraient, par exemple, une bonne solution mais encore, ce n'est pas évident dans le cadre de ce type de magasins ainsi que pour les grands magasins; tel quel est le cas des grands magasins, l'ouverture dans les pays de l'Europe Centrale et de l'Est serait une bonne opportunité. Il reste pourtant en discussion le souci des investissements directs si coûteux, et extrêmement coûteux pour les grands magasins. De plus, les différences encore assez accentuées, entre les pouvoirs d'achat des consommateurs de ces pays posent des problèmes supplémentaires. Ce dernier temps, on assiste à des intentions, par exemple de Marks&Spencer de fermer des magasins ailleurs et ouvrir une bonne trentaine en Bulgarie et en Roumanie; à de petits pas cela a démarré, mais seulement dans les centres commerciaux pour nettement limiter les risques financiers. En ce qui concerne les grands magasins, l'expansion vers cette partie de l'Europe s'est effectuée surtout au niveau des grands magasins de type discount modéré. Autrement, dans le cas de la Roumanie, il y a quasiment un an, la chaîne El Corte Inglés annonçait des intentions d'implantation en Roumanie,

plutôt par investissement direct; c'est-à-dire quatre magasins, à Bucarest, Iasi, Timisoara et Cluj-Napoca (chacun coûterait dans les 300 millions d'euros). Pourtant, apparemment cela est resté au stade de discussions. Par contre, pour ceux qui on connu le goût de ce que les grands magasins et les magasins populaires valent, qui d'ailleurs font partie de l'histoire du commerce, d'une métropole, lorsqu'on pense aux grandes villes, cela les attristent de les voir en difficulté et d'autant plus avant de les avoir tout près. Puisqu'on franchit du nouveau encore une période difficile, on assiste à des changements en ce qui les concernent à la fois pour les grands magasins et les magasins populaires, et on est témoin de plus en plus d'un repositionnement aussi entre les deux identités eux-mêmes.

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THE ACCOUNTING OF ASSET LIQUIDATION IN DISSOLVING COMPANIES

***Abstract:** As complex socio-economic systems, companies are not characterized by stability but rather by change and transformation- being subject to the universal law of impermanence according to which everything that is the outcome of a combination of elements must necessarily dissolve when different causes from those leading to the emergence of the combination occur. Consequently, in their quality as nonmechanical socio-economic systems they are born, live, grow and die, going equally through evolutions and involutions that are closely linked to some forces that interact and condition each other.*

Sometimes, whether resulting from random internal fluctuations or from external forces, or from both of these causes, the relative equilibrium of companies is broken, requiring **the dissolving and liquidation of their assets.**

The following factors can lead to company dissolution, and consequently to asset liquidation:

- the expiry of the company's duration;
- the impossibility of carrying out its main business activity;
- a decision made by partners;
- bankruptcy;
- loss of half of the share capital or its decrease below the legal threshold, unless the partners decide to increase it;
- the reduction of the number of shareholders to less than five in joint stock companies, unless this has been completed within six months;
- the reduction of the number of partners to one as a result of bankruptcy, the incapacity, exclusion, withdrawal or death of one or several partners, in general partnerships and private limited companies;

- the death of the only active partner or of the only sleeping partner in limited partnerships and limited partnerships with shares, unless there is a clause for continuation by heirs;
- the incapacity, exclusion, withdrawal or bankruptcy of the only active partner or of the only sleeping partner in limited partnerships and in limited partnerships with shares.

Company dissolution must be recorded at the Trade Register and published in Romania's Monitorul Oficial, except for those cases when the company is dissolved as a result of the expiry of its duration.

In the case of general partnerships, limited partnerships and private limited companies, registration and publication will be done only with the consent of all partners, within 15 days from authentication and by statement in front of the judge from the Trade Register Office.

In the case of public limited companies and of limited partnerships with shares, the dissolution resolution of the general meeting must be filed in court within 15 days, so as its legality is checked and the application is resolved.

Only when the dissolution statement is final will the resolution of the general meeting be filed at the Trade Register Office, in order to be written down and published in Romania's Monitorul Oficial.

The dissolution of companies before the expiry of their duration will become effective to third parties only after 30 days from publication in Romania's Monitorul Oficial.

Once the company has been dissolved, **the directors have to proceed to its liquidation**, unless the law, the articles of association, the memorandum of association, the general meeting or the judge pronouncing the dissolution decide differently.

From the dissolution moment, the directors will not be able to perform other operations; otherwise, they are personally and as a group liable for the performed operations.

Once the company has been dissolved, the next stage will be the liquidation and allocation of its share capital.

The appointment of liquidators in general partnerships, limited partnerships, or private limited companies must be done by all partners, unless otherwise stipulated in the articles of association. In the absence of unanimity, the appointment of liquidators will be done by a court of law, at the request of any partner or director, with the approval of all partners and directors.

The appointment of liquidators for public limited companies and for limited partnerships with shares will be made by the general meeting, which decides the liquidation- with the majority stipulated for the memorandum change, unless the articles of association or the memorandum of association stipulate differently. If a majority has not been obtained, the appointment will be made by a court of law, at the request of any partner or director, with the citation of the company and of those making the request.

The court sentence can be appealed by partners or shareholders and directors within 15 days from its pronouncement.

The company directors will provide the liquidators with a report regarding the management of the company from the date of the last approved balance sheet to the beginning of the liquidation.

The liquidators can approve the report or draw up and defend any complaints against it.

When one or several directors have been appointed as liquidators, the report on the company's management will be filed at the Trade Register and published in Monitorul Oficial, together with the final liquidation balance sheet.

When the management exceeds the financial year, this report must be attached to the first balance sheet, which the liquidators will present to the general meeting.

If the liquidation exceeds the financial year, the liquidators must draw up the annual balance sheet in compliance with the law, the articles of association and the memorandum of association.

Even if the articles of association and the memorandum of association stipulate **norms regarding the liquidation and allocation of the company's share capital**, at least the following **general rules** must be followed:

a) until the liquidators start their activity, the directors will remain in office unless otherwise stipulated by the articles of association, the memorandum of association, a decision of the general meeting or a decision of the law court that pronounced the dissolution;

b) the liquidators' appointment deed or the sentence replacing it, as well as any subsequent document that might lead to changes in their person, must be filed at the Trade Register through the liquidators' care in order to be written down and published in Romania' Monitorul Oficial. Only when these formalities have been completed can the liquidators present their signature at the Trade Register and commence activity. From

this moment on, no action can be carried out for or against the company except in the liquidators' name or against them.

All documents issued by the company must show that this is in liquidation.

As soon as their appointment becomes effective, the liquidators together with the administrators of the company are to **take the inventory** and draw up the **liquidation balance sheet** showing the exact situation of the company's assets and liabilities, and sign them.

The liquidators have to receive and keep the company's assets, the account books from the directors and the company documents. They will also have to keep a book with all the liquidation operations, in the order of their dates.

The liquidators carry out their office under the censors' supervision.

Apart from the special powers conferred to them by the partners, with majority required for their appointment, the liquidators will also be able to:

- stand trial in the interest of the liquidation;
- carry out and complete trading operations regarding the liquidation;
- auction the company's buildings and any other real estate assets; the sale of these assets will be done individually;
- engage in transactions;
- liquidate and collect the company's receivables, even if the debtor is bankrupt, and issue a receipt;
- make payments by bills of exchange, take out loans other than mortgages and carry out any other duties;

However, if there are no special stipulations in the articles of association, the memorandum of association or in their appointment deed, **the liquidators cannot take out mortgage loans secured on the company's assets, unless they are authorized by a law court and with the censors' agreement.**

The liquidators who perform new trading operations without any liquidation purposes are liable personally and as a group for the performance of these operations.

The liquidators cannot pay the partners any sums of money they are entitled to receive from the liquidation before the company has paid its debts to its creditors. However, the partners may request that these amounts be deposited with the Savings Bank or with the local tax office, and allocated according to the number of shares even during

liquidation, if apart from what is necessary in order to cover all the company's debts that are or will be due for payment, an amount of at least 10 per cent remains available. In a general partnership, a limited partnership or a limited liability company, the partners' private creditors may appeal the liquidators' decisions if they are entitled to do so by a previous executory title.

The liquidators showing evidence from the balance sheet that the company's available funds are not enough in order to cover current liabilities, must request the necessary amounts from those partners who have unlimited liability, or have not made the payments they should have made according to the form of business organization, or if they have debts to the company, for any outstanding payments they should have made as partners.

The company's creditors are entitled to claim the amounts owing from matured receivables, including the company's fixed assets, and only after that turn to partners for the payment of the amounts owed from the value of the subscribed shares or from that of contributions to the company's capital.

After the liquidation of the general partnership, of the limited partnership or of the limited liability company, the liquidators must draw up the **liquidation balance sheet** and propose the **allocation of assets to partners**, while in the case of public limited companies **they will show how much from the company assets is allocated to each share.**

In the case of public limited companies and of limited partnerships with shares, **the balance sheet which has been signed by the liquidators and accompanied by the censors' report will be filed at the Trade Register and published in Romania's Monitorul Oficial.**

The amounts to which the partners and the shareholders are entitled, but which have not been collected within two months from the publication of the liquidation balance sheet will be deposited at the Savings Bank, with the indication of the partner's or shareholder's name and surname, or the share numbers if these are payable to bearer.

After the company liquidation, the liquidators have to request the erasure of the company from the Trade Register.

When the calculations and allocation have been approved, the **account books and documents of general partnerships,** limited partnerships and private limited companies will be entrusted to the partner designated by the majority, while for public limited companies and limited partnerships with shares they will be filed at the Trade Register, where

any interested party may have access to them under the authorization of a law court. The books of all types of businesses will be kept for five years.

„Net assets” will be calculated from the „liquidation balance sheet” by using the following formula:

$$\text{NET ASSETS} = \text{ASSETS} - \text{LIABILITIES}$$

Note: assets and liabilities are inventoried and evaluated as utility value

and the „company treasury” will be calculated based on the relation:

$$\text{TREASURY} = \text{LIQUID ASSETS} - \text{LIABILITIES}$$

If liquid assets do not cover the company’s debts towards third parties, the liquidators will start the realization of the assets, that is their conversion into cash by the sale of some, or all assets. The sale of all assets must also be done if several partners have decided that the capital repayment will be in cash.

Example: Hermes plc has the following liquidation balance sheet at the time when the liquidation decision was made.

LIQUIDATION BALANCE SHEET FOR HERMES PLC

-thousands of lei-

Assets			Liabilities		
1	Machinery and equipment	1200	1	Subscribed share capital paid	1000
2	Securities	700	2	Other reserves	400
3	Stocks	400	3	Long-term loans	500
4	Accounts receivable	200	4	Suppliers	600
Total assets		2500	Total liabilities		2500

Note: Let’s assume that equipment and machinery are sold for 1,500,000 lei, and stocks for 400,000 lei.

a. Asset realization at Hermes plc

a1) sale of equipment and machinery

1.785.000	461	=	%	
			7583	1.500.000
			4427	285.000

a2) invoice collection for sold equipment and machinery:

1.785.000	5121	=	461	1.785.000
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a3) Sale of stocks:

476.000	4111	=	%	
			707	400.000
			4427	76.000

a4) invoice collection for sold stocks:

476.000	5121	=	4111	476.000
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a5) VAT received from the state budget:

361.000	4427	=	4423	361.000
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a6) VAT payment to the state budget:

361.000	4423	=	5121	361.000
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a7) Sale of securities:

700.000	461	=	7641	700.000
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a8) Deducting securities sold to third parties:

700.000	6641	=	261	700.000
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a9) Collection of securities sold to third parties

700.000	5121	=	461	700.000
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a10) Collection of accounts receivable:

200.000	5121	=	4111	200.000
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a11) Deduction of sold equipment and machinery:

1.200.000	6583	=	2131	1.200.000
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*a*₁₂) Deduction of sold stocks:

400.000	607	=	371	400.000
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b. Debt repayment to creditor third parties

*b*₁) Repayment of long-term bank loans and payment of debts to suppliers:

	%	=	5121	1.100.000
500.000	162			
600.000	401			

c. allocation of assets to shareholders (partners)

*c*₁) the final financial result from asset sale at HERMES plc:

*c*₁₁) incorporating expenses into the financial result:

2.300.000	121	=	%	
			6583	1.200.000
			607	400.000
			6641	700.000

*c*₁₂) incorporating incomes from asset realization:

	%	=	121	2.600.000
1.500.000	7583			
400.000	707			
700.000	7641			

*c*₁₃) corporate tax on asset realization:

48.000	691	=	441	48.000
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*c*₁₄) Payment of corporate tax:

48.000	441	=	5121	48.000
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*c*₁₅) Deducting expenses with the corporate tax:

48.000	121	=	691	48.000
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*c*₁₆) Allocation of net profit:

252.000	121	=	457	252.000
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c17) Divident tax owed to the state budget:

40.320 457 = 446 40.320

c18) Divident tax transfer to the state budget:

40.320 446 = 5121 40.320

c19) Payment of dividends owed to shareholders (partners):

211.680 457 = 5121 211.680

c21) Repayment of share capital to the shareholders (partners):

	%	=	456	1.400.000
1.000.000	1012			
400.000	1068			

c22) Transfers of amounts owed to partners:

1.400.000 456 = 5121 1.400.000