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THE ROLE OF MEDIA IN ELECTION CAMPAIGNS
– CHARACTERISTICS IN THE CONTEMPORARY CONTEXT -

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ABSTRACT:
In the latest decades, the role and importance of media in election campaigns have increased. Following the development of technique and technologies, the possibility to transmit messages to the electorate is currently defined by great accessibility and speed. Polls presented by media have a big role in shaping public opinion and influencing voting decision. In contemporary society, media plays a major role, having huge influence on individual and collective opinion. The objectives of this study are the following: 1. presentation of the main forms of traditional communication and new media in the contemporary context 2. highlighting the importance of polls in an election campaign in the context of political marketing 3. analysis of electoral communication in the contemporary context; 4. highlighting the role of political communication in an election campaign; 5. presentation of a qualitative research that aims to set out the main features of media in the contemporary context. The action of media means and their effects affect people’ lives, also contributing to the process of inter-personal development. Currently, media displays its role in the political sphere, both nationally and internationally, being a means of communication that allows various messages and information to be transmitted.

Key words: media, election, political marketing, political communication, qualitative research

JEL Classification: M31

1. INTRODUCTION

At present, mass media have a significant role in social life, making its presence felt in almost all fields (finance and banking, industry, politics, etc.).

As technology has advanced, means of mass communication have also become more diverse. Therefore, nowadays, new media (social networks, blogs, etc.) that facilitate faster transmission of information have emerged. People want to be briefed each and every minute about all the latest important news so they inquire by means of television, radio and new media, satisfying their need for information. In this context, the role of media is to make the information flow towards the public fluently and correctly.

Through its functions mass media meet the needs of people to communicate and relate, to get involved by conducting certain activities in the community or even to identify themselves with a particular topic or cause.

This paper presents the role of mass media in election campaigns in the contemporary context. Moreover, a review of literature has also been carried out in order to highlight the importance of using traditional communication media and new media in a contemporary context. By using means of mass communication people are more informed and they can make certain decisions that can influence their life.
This study is important because it highlights the fact that nowadays the role and importance of mass media in election campaigns has increased, mass media having a significant impact on both individual and organizational level. In order to highlight the role of mass media in election campaigns in a contemporary context a qualitative research has been carried out, whose purpose is to identify the main characteristics of mass media in a contemporary context.

Mass media have the role of forming opinions, shaping the thinking and behavior of young people in particular through the transmission of societal values. Also, mass media have the role of producing and spreading useful information to citizens in order for them to develop intercultural relations. By establishing the public agenda, mass media keep track and analyze reality, thus presenting those events in the world that people may not fully assimilate. Setting out certain key objectives which lead to the achievement of organizational goals, political communication reflects its role in organizing public agenda.

2. PRESENTATION OF THE MAIN FORMS OF TRADITIONAL COMMUNICATION AND NEW MEDIA IN THE CONTEMPORARY CONTEXT

In literature review it is estimated that “mass communication (mass media) through all its technical means (mail, telephone, telegraph, radio, television, books, cinema, print media, Internet, etc...) experiences growing complexity being considered one of the factors that gives new aspects to contemporary life and, in turn, more and more complex aspects” (Boblea, 2008, p.55). Hereinafter these technical means regarding mass communication are presented, as follows: mail – in time public institutions have been founded that were to deal with the distribution of mail were dissolved, so as a result of the rapid development of the communication system, “the perforated adhesive postage stamp” appeared in England in 1840 as well as the postal envelope which was considered the most important invention from the early nineteenth century (Boblea, 2008, pp.66-67); the telephone - in March 1876, Alexander Graham Bell patented the telephone, an invention that was considered an instrument of “public and private communication” whose use has led to “exceptional shortening of the time from the moment the information was sent and up to the moment it was received” (Boblea, pp.71-72); telegraph – the telegraph was a technology that used electricity and helped transmitting messages efficiently, being “an extension of the postal service” that has set a precedent for the relationship between the state and big media companies” (Dominick, 2009, pp.63-65); radio - was “the first medium of mass communication” and “the shift from the use of radio as a communication device between two places (as telegraph) to the communication means between one and more places amazed many people” (Dominick, 2009, p.71); television - has its beginnings in the 1920s and 1930s and “has developed being surrounded by other trends and decisive social events” (Dominick, 2009, p.73) (television also affected political life: “political conventions are shown on television, candidates employ specialists in television” millions are being spent on commercials, candidates start debates on TV ( ... )” (Dominick, 2009, p.73 ); books - we can discuss here the “printing revolution” which manifested with Gutenberg’s invention of the printing press; it is notable that both the printing press and print media are indisputably linked” because “without printing press the humanity would have kept to oratory and rhetoric, manuscripts having a much too narrow public circuit” (Boblea, 2008, p.58); cinema - film technology developed in a period in which three significant trends were felt in the United States, namely: industrialization, urbanization and immigration (the focus point being when an audience interested in the new medium of film appeared, therefore the first projection rooms were made) (Dominick, 2009, p.69); printed media - in the past in order to have a large circulation of traditional newspapers “several terms had to be met”: the invention of printing
presses to produce copies cheap and fast, the existence of a sufficient number of literate persons for whom such a printing press was to be profitable and the existence of a mass audience” (Dominick, 2009, p.86) (in my opinion I can mention that nowadays these conditions are relatively easy to meet, but what threatens the emergence of large circulation print media are online newspapers, whose existence skyrocketed with the emergence of the Internet); Internet – “the first versions of computers were essentially calculating machines designed to eliminate the drudgery of repeated arithmetic operations”, but after a few years, developments in terms of hardware and software enabled the expansion of computer communication function, the ‘90s being “an explosion in communication by means of computers” (Dominick, 2009, pp.302-303). Popa (2002) believes that “along with the expansion of Internet infrastructure - a consequence of the recognition of its media power - only cable television systems and telephone companies are now a fair and profitable competitors” this being in favor of the consumer “who is able to receive information through two different media (channels)” (Popa, 2002, p.198).

Currently, the term “new media” is increasingly used in business, advertising, public relations, blogs etc while traditional media have lost accessibility detrimentally to new media, due to the development of technique and technology (Toader, Grigorași și Frunză, 2011, p.130). Thus, the printed page becomes virtual page that can be accessed anytime by phone with Internet access, television also broadcast online”, online newspapers can be accessed at any time (Toader, Grigorași și Frunză, 2011, p.132).

The following question arises: What is the difference between old media and new media? Toader, Grigorași și Frunză (2011) believe that new media “can give users a creative role that of being the author of online information or amending information by providing more details about it or reinterpretating it” (Toader, Grigorași și Frunză, 2011, p.131). Currently, in the online environment social networking sites such as Facebook, Twitter and blogs are often used. Toader, Grigorași și Frunză (2011) mention that “Facebook has managed to be an alternative source of information, but unlike traditional media channels, Facebook has changed the passive viewer to a user with an active role through the degree of interaction that it enables” (Toader, Grigorași și Frunză, 2011, p.142). Currently, new media have a major impact on people's lives, influencing both their social and private life. Komito (2001) considers that “for some, it signifies individuals’ access to information on a vast range of topics, delivered using a variety of different communication media, and the greater diversity of knowledge and experience that such new technologies allow. For others, the information society is an enhancement of individual autonomy, in both work and social life” (Komito, 2001, p.115). Toader, Grigorași și Frunză (2011) note that “the dialogue about politics on Facebook during election campaigns aims to involve more and more citizens in decision making, it seeks to persuade the uninvolved through rational arguments and to clarify actions that are most effective for solving society's problems, and meanwhile interpersonal communication is the most influential resource of persuasion” (Toader, Grigorași și Frunză, 2011, p.143).

Jun (2012) considers that “as an arena of political discourse, the Internet has, for the past several decades or so, drawn attention as to how it would serve the goals of deliberative democracy. In particular, the increased control on the Internet in the consumption of political information and in the selection of political discussion partners posed the potential that people would increasingly expose themselves to pro-attitudinal perspectives and actively avoid counter-attitudinal perspectives” (Jun, 2012, p. 1450).

In recent years, the Internet has experienced an amazing ascent, becoming one of the main communication channels used by politicians in an election campaign. Toader, Grigorași și Frunză (2011) note that “election communication on the Internet will remain important as the interest for the online environment will remain high” (Toader, Grigorași și Frunză, 2011, p.72). In order to highlight the importance of using the Internet in election campaigns the same
authors mention that “on the Internet, more than on TV or in print media - audiences are better delineated. There are sites dedicated to an issue/topic where messages can be sized in order to be more relevant and reliable to the target audience“(Toader, Grigorași and Frunză, 2011, p.72).

Although, in time, means of mass communication have changed and modernized, they have not been radically transformed, constituting stable systems (Popa, 2002, p.63). McNair (2007) believes that “means of communication are important in the political process because they transmit messages from citizens to their political leaders” (McNair, 2007, p.31).

3. ANALYSIS OF ELECTORAL COMMUNICATION IN A CONTEMPORARY CONTEXT

Currently, media means have an important role in the political field. They are often used both by political professionals and the population who try to update the information they hold and acquire newer ones.

In literature review it is estimated that “the increased role of information environment in society is presented as a result of technological revolutions occurring above all in the electronic information environment which tend to reveal that traditional forms of political communication are obsolete” (Gerstle, 2002, p.47). Media revolution has a significant role in politics, media coverage influencing government conduct and proper functioning of public space.

In literature review the survey represents “any study that measures people's opinions about various things” being commonly used as a news release (Datculescu, p.2012, pp. 607-608). Election polls are political marketing instruments aimed at analyzing people' attitudes and opinions regarding the intention to vote.

In democratic countries, mass media assume the role of “emancipation vector” being considered “the vital center of public life” (Popa, 2002, p.63). In literature review five criteria regarding the “evaluation of accuracy and performance of journalism and media institutions” are presented as follows (Popa, 2002, p.65): “verisimilar, intelligent and coherent recording of current events, recording which is invested with significance; media provide a forum for comments and judgmental discussion; media should proportionally reflect various groups that form society as a whole; explicit presentation of the requirements and values that society has; media must ensure full access to current information”.

Popa (2002) notes that main media experienced the following steps, namely: prototype stage - the results of scientific discoveries have passed from the laboratory stage to the implementation stage; trial period – the most curious ones started testing these prototypes and have discovered their use and benefits; the period of distribution - new equipment spread in concentric circles in the society in a fairly large degree; the takeover - the society permanently adopts the new technology, it legitimates it ( ...); the regression stage - after the equipment reaches a high degree of penetration, their consumption begins to decrease; this shows that the market has reached saturation, unable to absorb the same product, at which point other prototypes are being launched, experimented by the most receptive ones, then certified by them, which leads to them being adopted on a large-scale, the process being always resumed” (Popa, 2002, p 241).

In electoral context, communication takes the form of promotional communication and it is “an essential instrument in maintaining the dialogue with the environment, used along with other components of the marketing mix as promotional communication policy” (Zaharia, 2001, p.253). In the literature review are presented the components of promotional communication, as follows: advertising – “the main media used in advertising are : TV, print media, radio, internet, cinema, outdoor advertising ( ... ), print advertising ( ... )”; sales promotion - aims at “providing short-term incentives in order to encourage customers to try or purchase a product or service”;

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public relations – “among the most common public relations techniques used, especially in relation to mass media, we distinguish: interviews, book releases, writing articles, organizing press conferences, speeches, official galas, tours, organizing exhibitions, seminars, symposia or conferences, implementing toll-free telephone assistance”; free advertising – “consists of spreading positive or negative information regarding the organization, in various forms, especially in mass media”; promotional valences of the product - refers to the way the organization manages to position itself in relation to competitors (in terms of design, packaging, labeling and product brand); participating in exhibitions – “it is achieved by organizing one’s own pavilions or stands at expos, exhibitions and salons (local, regional, national and international)”; sponsorship and patronage – “aims at associating the image of a company with the image of an event, a cause or a social organization”; customized customer approach - aims at developing “mailing, e-mailing, phoning activities” to interact with the targeted customer group; the organization’s sales force – consists of a group of people whose primary task is to sell or to make marketable products /services of the organization through direct contact with all relevant participants involved in the exchange process (Zaharia, 2001, pp.253-257).

4. PRESENTING A QUALITATIVE RESEARCH THAT AIMS TO OUTLINE THE MAIN FEATURES OF MASS MEDIA IN A CONTEMPORARY CONTEXT

The objective of the research carried out was to analyze the role of mass media in election campaigns in a contemporary context. One thorough interview was carried out on 20 people (students at a university in Bucharest, aged between 19 and 22 years old), with a discussion guide consisting of the following questions:

1. Do you think that the emergence of new communication technologies currently influence carrying out electoral campaigns?
2. Do you believe that political communication is more effective online than communication that uses traditional media?
3. Do new media play a major role in strengthening the opinion of the electorate?
4. Do you think that new media (blogs, social networks etc.) contribute to the professionalization of political communication?
5. Do you think that new media propel social dialogue?
6. What do you think is the role of mass media in an election campaign?
7. Do you think that the messages sent by mass media should be carefully selected according to audience segmentation?
8. What are the advantages/disadvantages of using new media in election campaigns?
9. What are the advantages /disadvantages of using traditional media in election campaigns?

Regarding the answer to the first question, all interviewees agreed that the emergence of new communication technologies currently influence carrying out electoral campaigns. The following opinions stood out: “I believe that the emergence of new technologies influence carrying out electoral campaigns because candidates can better promote their offers and political projects through modern media of communication, they can establish a connection with young people, the virtual environment becoming an efficient space for political propaganda” (Ilinca, 19 years old); “I believe that the emergence of new communication technologies largely influences carrying out election campaigns because they are a more effective in attracting and informing citizens, at reduced costs and quickening the transmission of information” (Andreea, 19 years old); “Yes, because it is a new efficient and fast approach (extremely popular and very accessible) with lower costs” (Mihai, 19 years old).
At the second question most interviewees agreed that online political communication is more effective than using traditional media communication, a respondent answering that “political communication starts to be effective in the online environment as well, but traditional communication media are currently far more effective because most people who have the right to vote, people over 45 years old, prefer these media” (Ionut, 19 years old).

Relevant opinions regarding the answer to the third question have been outlined, namely: “In consolidating the electorate’s views new media have an important role because by quickly informing citizens they can form an opinion on the politics in Romania” (Monica, 20 years old); “I believe that new media have a major role in strengthening the opinion of the electorate because they represent an important source of information” (Madalina, 22 years old); “Yes, because according to political fondness, “the consumer of information” can customize the list of information received thus directly perceiving ideas, opinions and concepts transmitted” (Mihai, 19 years old); “Voters have access to as much information as possible, they can form an opinion by following several aspects, they can gather relevant information by themselves, information which they regard as true, therefore I think that new media influence the formation of voters opinion” (Claudia, 21 years old).

At the fourth question the majority of respondents interviewed agreed that new media contribute to the professionalization of political communication, but two relevant opinions were distinguished (a positive opinion, and one a disapproval), namely: “Yes, I believe new media are a new, important factor which contributes to the professionalization of political communication since access to blogs, social networking etc. can attract a large number of voters” (Valentin, 19 years old); “No, because political communication can be achieved through press conferences, in this way using the TV and radio, thus media of transmitting information are not important, but the content is” (Roxana, 20 years old).

At the next question, all interviewees agreed that new media propel social dialogue, the following opinions were outlined: “Yes, new media propel social dialogue, being used to a large extent by more and more people nowadays” (Camelia, 22 years old); “Yes, new media are designed to propel social dialogue thus answers about the candidates or election campaigns being obtained faster” (Laura, 20 years old).

At the sixth question, the following opinions on the role of mass media in an electoral campaign were highlighted: “The role of media in an election campaign is very important because it helps voters form an opinion on what is discussed in the political field” (Denisa, 20 years old); “Mass media have a major role in election campaigns rapidly influencing the intention of voters through the information presented, given that through a simple story one can change his/her perception of a candidate/party or even his/her political orientation” (Alma, 20 years old); “Mass media have the role of spreading information in a fast and efficient way” (Casiana, 20 years old).

Regarding the answer to the seventh question, all respondents believed that the messages conveyed by mass media should be carefully selected according to audience segmentation, the following opinions being outlined: “Yes, messages conveyed by the media should be carefully selected according to audience segmentation, and to a great extent they should be simple and concise” (Daniela, 20 years old); “Yes, because people’s opinions differ according to age, education, income, gender, social class, etc.” (Ionela, 22 years old).

According to question number eight addressed to the group, the following advantages/disadvantages on the use of new media in election campaigns were identified: advantages - accessibility, high degree of information, they are more popular, fast and efficient promotion, a large amount of information is provided, it provides the possibility of feedback from those who access information, professionalization of political communication;
disadvantages - unfair competition, excessive advertising, not everyone has Internet access, insecurity, erroneous information can be transmitted.

According to question number nine addressed to the group, the following advantages / disadvantages on the use of traditional media in election campaigns were identified: advantages – infallible messages, old people in rural areas have access to them; disadvantages - high costs, does not offer the possibility of immediate feedback.

5. CONCLUSIONS

Electoral communication in the media area can be analyzed through political practices, political actors being constantly involved in legitimizing their actions. From the past and up to this point, the role of mass media was to disseminate information on various public issues, but also in the political field. Currently, in the political field, stress is laid on communication with the public through mass media, while political discourse should be carefully designed, according to audience segmentation in order to obtain a large number of votes. In an electoral context, mass media act as an intermediary for the exchange of ideas between candidates, voters and journalists, being both evaluator and commentator of the political event. Through mass media, one can mediate the interaction between candidate and voter, the political information circulating in two directions. Mass media have also the role to structure decision-making processes of political actors. Through press releases constantly issued mass media manage to inform citizens properly and on time.

“New media” is a concept that has changed the understanding of mass communication and which has significantly influenced election communication, in particular. New technologies (especially the Internet) have changed people’s lives and efficiently transformed communication in the public sphere. Currently, new media significantly influence the way communication is made in election campaigns through official campaign websites, blogs, social networks, but also strategies and tactics that are to be used by a party or a candidate in order to obtain electoral success.

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ECONOMIC CRISES IN THE GLOBALIZATION CONTEXT

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ABSTRACT:

The profound mutations, the extent and virulence of financial and economic turmoil that are characteristic for the beginning of the new millennium cannot be understood without placing them in the transformations of contemporary capitalism, without taking into account the historical and intellectual context in which they were conducted, and the debates on system performance of the market economy.

The end of the twentieth century was represented of the free market fundamentalism in which economists preached the virtues of deregulation, financial market efficiency and innovation benefits. During this period, the world economy experienced sustained growth period but discontinued by the economic and financial crisis that caused devastation in the financial sector and the real economy.

The perception in the rise of the frequency of crises is real. Moving from exuberance and euphoria to collapse and pessimism, uncertainty and economic instability are recurrent features of the world economy. Globalization and capitalism dominated and transformed by finance offers new territory, unknown by the orthodox economic theory. This theory cannot explain the emergence of new crises and cannot offer adequate solutions.

The observation of the failure of the orthodox economics science must be accompanied by the intensification of the debate that will lead to the promotion of new ideas and economic theories based on a critical perception of the "truths" combined with the free market ideology based on narrow and prefabricated concepts.

Based on these findings and demands, during this article we aim to offer a new perspective on crises that are brought to the forefront of economic research and lead to mutations and reassessment of the policy and ideas. As a result of the current global crisis, economics (both theoretical and political) will change, like the economy itself.

Key words: global crisis, economics of the crisis, politics of the crisis, financial capitalism, economics impasse, structural crisis

1. MAJOR ECONOMIC CRISES AND STAGES OF CAPITALISM

The stages covered by capitalism in its development are closely related to the generalized crises that capitalism went through. Some recessions are different; they trigger deep political and economic crises and aim at the legitimacy of both economic and political order. The Great Depression of 1930 and the stagflation from 1970 represent the two major capitalist crisis of the twentieth century (A. Gamble, 2009, page 11). The current global crisis has the ability to determine the collapse of a specific ideological and growth model and to argue the current economic and political order. Furthermore, the current global crisis is comparable with previous generalized crises that marked the great transitions of capitalism. Therefore, one can ascertain
the existence of certain symmetry between the major crises of capitalism and the transitions they went through. The dominant feature of the various stages of capitalism is represented by the characteristics of the government relations with private business, and by the characteristics of the development of the relation between economic and political forces. (A. Kaletsky, 2010, pp. 41-58).

The Great Depression of the '30s is presented by the regulation theory as being a major crisis which appoints the end of the competitive regulation method. The crisis of the traditional neoclassical theory and the emergence of the Keynesian theory provide the implementation of managed regulation that characterizes the global functioning of the economy. The economy is managed by the state and Fordism sustains economic growth. During the Keynesian-Fordist period, more precisely those “30 glorious years”, global expansionist and recovery policies or, according to the conjuncture, rigorous policies are promoted (stop and go, in the Anglo-Saxon countries).

The deterioration of the economic performance in the early '70s, the emergence of stagflation due to productivity crisis and depletion of Fordist growth, contribute and determine the reconsideration of the Keynesian theory and the emergence of a renewed liberalism. The conservative counter-revolution emphasized the reduction of public expenditure and the drastic control of social spending and suggests the profound transformation of the growth regime and control method. The dominant features become the liberalisation and deactivation of the state with the purpose to restore competitive conditions, gradual privatization and deregulation, labour flexibility and the promotion of a new wage relation. The new regulation method is based on the internationalization and liberalization of economies and leads to the insertion of a new economic policy regime.

The “conversion” to monetarism in 1979, sets up a new direction for monetary policy and promotes the policies of the offer. At the same time, the fiscal policies, as well as the price and income policies, are increasingly less used to attain a fiscal balance and one can ascertain the emergence of new forms of combined and pro-cyclical policies.

After the '90s, we are witnessing a definitive break from the industrial capitalism and its Fordist foundation. The emergence of a new period of capitalism is accompanied by the implementation of a growth regime, sometimes referred to as “patrimonial”, whose outstanding features are represented by the extension of the wage shareholding, the importance of enterprise governance and the role of financial markets in macroeconomic adjustment. A new regulation method is progressively implemented as a result of technical changes, innovations and intangible forms of investment, as well as due to the process of ensuring work flexibility and the transition to a new compromise when it comes to wage. The new deeply reshuffled capitalism stands out through the central role of finance and financial accumulation, as well as the new role of monetary policy. Thus, the laxist U.S. monetary policy after 2001 and the significant decrease of the level of interest rates have approved the abdication of control over credit, as well as its expansion. The increase of profit within the financial sector and reorientation of the non-financial companies towards financial markets, have determined the emergence of several conditions which led to the emphasis of the economic financialization process. This new trend has turned into a source of economic disorder by inciting enterprises to financial investments to the detriment of investments, favouring financial expansions to the detriment of industrial restructuring, as well as by developing financial bubbles that have repercussions on the real economy. Capitalism, transformed and dominated by finance, witnesses a new major crisis which represents the manifestation of structural contradictions in the operation mode of capitalism after 30 years and it is called neoliberalism.
2. A NEW LECTURE “ON CRISIS”

The confrontation on the vast field of grand ideas for the past decades was marked by the predominance of ideological subjects and presumed a dialog between beliefs based more on political opinions rather than economic analysis. The mistaken beliefs and perceptions regarding economic reflection, some being veritable demonstrations of ignorance and ideological commitment, were the catalyst of the crisis but had no effect in combating them.

Unstable and inefficient markets imposed the necessity of explaining what was happening to the standard economic theory and demonstrated that the model that was imposed did not explain the existing realities.

The 2007 crisis is a phase of the dynamic process of the evolution of capitalism. Considered the biggest crisis after the Great Depression it has a totally different characteristic. It is a systemic crisis and not one by chance that began in the financial market and metamorphosed into a recession. This last crisis is not an accident but a symptom of a generalized crisis of society at the beginning of the third millennium. (H. Kempf, 2009, p.215)

The paradox of the current world crisis is in relation to the subprime credits that were offered to bankrupt actors, regulated through new huge credits contracted from overly-in-debt states that could become bankrupt themselves. This type of crisis that created a new version of the capitalist system is mainly a political crisis. M. Laine, 2009, p.99

This type of analysis that proclaims the fatality of the political over the economical consolidates the major role of political processes in the apparition and overcoming a major crisis. These crises are considered above any political events and the role of the political in overcoming them is well known. (R. Bayer, 2011, p. 8)

When a crisis is of this magnitude and the effects are devastating on the finances and the real economy, its political aspect is fundamental in understanding its causes and consequences. Politics drives Economic become the emblem of “politics of crisis” type analysis. (A. Gamble, 2009, p.143)

The generally accepted economic theory either ignored the crisis either considered it a characteristic of less developed economies.

The crisis that started in the US represented the peak of an ascending evolution of over two and a half decades. This period, called the Great Moderation, represented an era of low values of inflation, fast paced economic growth and slight recessions. The business cycle becomes less volatile, the effects of recession are less notable and the duration of expansions increases. Economic readjustment is made in the context of combining financial stability with short term and shallow recessions. The obsession over the tyranny of business cycles was substituted with the illusion of continued economic growth, free of any crisis. Some even rushed to declare that the era of severe recessions and world economic depressions is over.

The events of 2007, through their gravity and planetary extension, have shook serious beliefs that the crisis is no longer of interest and their role is unimportant.

The combination of the New Economy with the modern economic science did not contribute to the elimination of economic fluctuations. The pregnant manifestation of the Great Recession shattered this belief. The comeback of the economy of decline (P. Krugman, 2009, p.207) and the preoccupation for stabilization of an unstable economy (H. Minsky,) manifests in the continued disagreements between economists regarding the way of functioning of the economy and the consequences of the world crisis on macroeconomic theory.

Different research programs and reflection groups wanted to analyze the nature and theoretical-ideological fundamentals of the new crisis as well as its impact on the transactions of capitalism and the evolution of economic theory.
A new crisis theory regarding globalization needs to highlight the causes, the logic of their propagation, ways through which they multiply, act and resorb, the reasons for which the economies are going through a recession and explain why globalization enables the apparition of financial crisis and the way in which the current crisis transforms the nature of capitalism. A new perspective and perception on crisis becomes primordial in order to identify a new domain of economic research (economics of the crisis). The object of its study is represented by the analysis of the ways and reasons for which the market is failing. (N. Roubini, S. Mihm, 2010, p.39).

To promote new lectures “about crisis” means to validate the existence of an inherent instability of the capitalist type of economy and that the processes that generate its fragility are “natural”, meaning they are endogen towards the system. (H. Minsky, 2011, p.16). From this new perspective, the crisis are no longer considered anomalies like the modern economic theory try to qualify them as, but common events. (N. Roubini, S. Mihm, 2010, p.7). Their recurrence for the emerging economies as well as for the developed ones reclaims the de-mystification of the processes that generate them and explain the destabilizing forces from within the system. New efforts and theoretical qualifications become the compulsory condition towards identifying the forces that drive the economy from boom to boost and the other way around, a veritable mystery for most observers.

3. CONCLUSIONS:

The approach to understanding the crisis should be based on the assertion that the old rules no longer apply to the business world while the economy has stepped into a new era.

Generations of thinkers who dominated the public space have tried to investigate the mechanisms by which modern capitalist economy works, the alternation of the phases of exuberance and collapse, the scale and frequency of economic fluctuations, costs instability and the role of political and economic factors in the emergence and expansion crisis.

Recent researches have introduced in the concerns area the role of finance in the formation of the growth regime and in the adjusting mode, the contribution of globalization to increase instability and in the propagation of the crisis, the possibility that the globalization can pave the way of more frequent crises and more virulent, and future recessions specific the globalized world economy.

Highlighting the links between financial and economic turmoil and the concern for reforming economic science must start from the analyse of the impact of the events of the years 2007 to 2008. If the breadth and depth of their consequences is a sufficient argument to affect economic thinking as the Great Depression did in '30s, economic science has to discard from myths and dogmas that have undermined common representations about the economy.

Genuine rift phase, the first financial crisis of the twenty-first century, by her new size and nature, has invalidated all the premises of market fundamentalism and has questioned the validity of many economic theories, the viability of traditional capitalism laissez – faire type, has highlighted the unsustainable nature of neoliberal globalization, financial globalization limits and the collapse of the growth model of ideology and policies that have sustained.

Identifying the shortcomings of economics and economic policy errors claims the promoting of a new paradigm that will replace the archaic visions of market self-regulation, achieving balance and perfect competition. Sketching a project for a new economy based on the values and institutions depends on the extent to which this discipline is ready to step into a new era. A thorough reassessment of economic theory requires the development of new tools for thinking; which is a complex and difficult theoretical effort.
Conditionings for the renovation of Economy and achieve a unification theories crisis economy (economics of the Crises) are multiple. In the foreground stands the out of a doctrinal jam and called into question of the dominant ideology. The economic ideas and obsolete doctrines can be dangerous obstacles in the way of global prosperity (P. Krugman, 2009, pp. 218-219).

The answer to the crisis imposes a veritable reevaluation of the theoretic background. The last economic and financial crisis changed everything. The world became more unstable and unpredictable. A new era reclaims new ways of thinking and allocates the well deserved importance to recessions in the economic and financial theory.

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IS COGNITIVE DISSONANCE AN OCCUPATIONAL HAZARD IN THE MARKETING OF LUXURY GOODS?

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ABSTRACT:
In this paper we focus on discussing the theory of cognitive dissonance and its criticisms by analysing its timing, the markets to which it can be applied, its relevance for contemporary marketing/advertising and, most importantly, by endeavoring to identify the role advertising can play and the ways in which advertising can take advantage of this knowledge.

Key words: cognitive dissonance, buyer’s remorse, luxury brands advertising, brand

1. INTRODUCTION

In a world of dynamic changes, where consumers are becoming empowered and confident in their active role towards consumption, advertising seems to be losing its place. The confirmation of the weak theory (Ehrenberg and Jones 2006) seems closer than ever – advertising cannot strongly persuade passive consumers to purchase irrationally anymore, and if it can, it is only a one-time hit; to some, advertising is not even capable of building brand loyalty anymore (Ehrenberg 2000; Brierley 2002) as consumers have too much choice to be one-brand only lifelong loyal.

Arguably then, “advertising’s main role is to reinforce feelings of satisfaction with brands already bought” (Ehrenberg 2000, p.39), a statement that is perhaps even more relevant (though not exclusive) to high-involvement and luxury brands for which a psychological phenomenon defined as cognitive dissonance (Leon Festinger in 1957) usually seems to apply. Advertising therefore plays a new-found role in the contemporary society; it reduces and prevents cognitive dissonance through reinforcing positive brand attitude and reassuring the consumer of the quality of his decisions, so that a new type of brand loyalty – “a continuing propensity to buy” (Ehrenberg et al. 1994, cited in Brierley, 2002, p.235) – can be achieved.

The present essay will consequently focus on discussing the theory of cognitive dissonance and its criticisms by analysing its timing, the markets to which it can be applied, its relevance for contemporary marketing/advertising and, most importantly, by endeavoring to identify the role advertising can play and the ways in which advertising can take advantage of this knowledge.

2. COGNITIVE DISSONANCE THEORY

Cognitive dissonance/“buyer’s remorse” (Bell 1967, p.12) was defined by Festinger as “the psychologically uncomfortable state following the act of choosing between” a set of highly-competitive alternatives. “When our thoughts and actions are inconsistent, we experience great discomfort” (O’Neill and Palmer 2004, p.433). This theory, characterized by some as “the most
exciting theory in psychology” (Aronson 1997, cited in Bawa and Kansal 2008, p.33), has given rise to different opinions as to its exact definition and relevance, which, as it will later be discussed, strongly influence the theory’s application to advertising.

Korganokar and Moschis (1982) and Anderson (1973) state that cognitive dissonance (assimilation) theory belongs to a set of theories (contrast, generalized-negativity and assimilation-contrast) that are a function of expectation and actual product performance. The behavior predicted by assimilation theory is that the dissonant consumer assimilates the discrepancy between expectations and reality by adjusting the incongruent product evaluation, and it appears that empirical research indeed confirmed this phenomenon for high-involvement goods.

Nevertheless, expectation vs. product performance is more representative for satisfaction, and therefore some academics propose dissonance should be renamed as “self-consistency interpretation of dissonance” (Aronson 1968, cited in Marshall et al. 2008, p.564) and understood as “pre-purchase image congruency” (Marshall et al. 2008, p. 565), since it arises when the product image is incongruent with a person’s self-image (O’Neill and Palmer 2004; Goukens et al. 2009).

Conversely, Oshikawa (1969, p.45), Kaish (1967), Engel (1963) and Straits (1964) view cognitive dissonance as “an inevitable consequence of decision-making” where one must choose between different alternatives, and therefore ascribe this concept to the economic opportunity-cost which increases as the decision’s importance increases. Consequently, it could be argued that a world with too much choice, as there is nowadays, is inexorably going to lead to dissonance proliferation.

This perspective seems to be the strongest one (and the only one which is essentially similar to Festinger’s initial proposition); however, as O’Neill and Palmer (2004), Korganokar and Moschis (1982) and Cummings and Venkatesan (1976) agree, it is very important to avoid going too far into the economic field (as some researchers did) and erroneously associating cognitive dissonance with theories such as regret theory (which only concentrates on post-purchase satisfaction), as this can alter results, leading to conclusions that question the theory’s validity.

Early studies argued that many problems with the cognitive dissonance theory stem from the concept misunderstanding, the misappropriation of measurement techniques (measuring not dissonance levels but dissonance-reduction methods (Bell 1967)), and the experimental manipulation. These problems led scientists to contradictory opinions: “under natural circumstances, individuals do not respond to discrepant information in the way theory predicts” (Oshikawa 1969, p.48), the existence of cognitive dissonance has not been proven (Engel 1963; Chapanis and Chapanis 1964) or there is not enough evidence of its applicability to consumer behavior and marketing fields (Cummings and Vekatesan 1976).

Some researchers (Cohen and Goldberg 1970) even advocated that, if cognitive dissonance implies discrepancies assimilation, then this means consumers persist in their mistake, which is unnatural and untrue; however, this is contradictory to Festinger’s original stance. After all, cognitive dissonance is more of a psychological self-image/choice-related problem than a product faultiness one, which links more to satisfaction. As Koller and Salzberger (2007) also noted, unresolved dissonance will transfer in the consumption process as doubt, therefore decreasing satisfaction despite perceived product performance matches expectations.

Curiously enough, although many scientists have doubts regarding cognitive dissonance, they rarely dispute its importance, either in marketing (Straits 1964; Engel 1963), in brand building (Horowitz and Kaye 1975; Cummings and Vekatesan 1976) or in advertising (Engel 1963; Bell 1967). Nonetheless, before applying cognitive dissonance to advertising, it is
necessary to clarify two concerns: the purchase decision stages when dissonance might appear and the types of goods/services to which it is more relevant.

The first concern which has given rise to confusions is where exactly in the decision-making process (Figure 1) this psychological state occurs. As Festinger’s definition illustrates (and most researchers seem to agree), cognitive dissonance appears to be a post-purchase-related phenomenon, therefore after the decision has been made might the consumer start feeling remorse over the un-chosen alternatives, guilt (Ghingold 1981, cited in O’Neill and Palmer 2004), anxiety and doubt (Menasco and Hawkins 1978; Brassington and Pettitt 2006), or discomfort and violations of self-concept or image (Aronson 1968, cited in O’Neill and Palmer 2004).

Figure 1. Decision-making process (adapted after Brassington and Pettitt 2006, p.101)

Problem Recognition/Need Arousal

Information Search

Information Evaluation

Decision

Post-purchase Evaluation

However, a few scientists (Koller and Salzberger 2007; O’Neill and Palmer 2004; Soutar and Sweeney 2003; Oliver 1997) have recently begun to propose that cognitive dissonance, while strongly connected to the post-purchase phase, can also subtly manifest itself throughout the entire decision-making process, as tension originating from dissonance anticipation and even as doubt decreasing satisfaction in the consumption phase (Koller and Salzberger 2007). Every decision brings a feeling of uncertainty, which, according to Koller and Salzberger (2007), stems from perceived risk and anticipated dissonance.

Nevertheless, while perceived risk is an objective attitude, cognitive dissonance and its anticipation can only appear when the consumer is involved in the decision and therefore the risk becomes personal, which is in accordance with Festinger’s dissonance preconditions (Deighton 1984). Consequently, there is increasing evidence that dissonance could help “explain uncertainty over all stages of the decision-making, purchase” and consumption processes (Koller and Salzberger 2007, p.220), although in different degrees depending on stage (Soutar and Sweeney 2003, cited in Koller and Salzberger 2007). This view is also practical for advertisers, since, as Ehrenberg (2000) also observed, it is almost impossible and cost-ineffective to advertise...
differently for different stages, especially since the advertiser cannot really know which stage consumers are in at one point.

The second concern seeks to identify the types of goods/services for which cognitive dissonance is more relevant.

Firstly, is it goods or services? Whereas most studies attribute dissonance to products, researchers like O’Neill and Palmer (2004) and Bawa and Kansal (2008) discuss about dissonance for services as well, arguing that service characteristics imply increased uncertainty and therefore increased dissonance likelihood. The essay will therefore focus on goods and services, for a more complete view.

Secondly, what type of goods and services? Oshikawa (1968), Menasco and Hawkins (1978) and Bawa and Kansal (2008) support the view that, although dissonance may be experienced whenever a decision is made, its magnitude is essentially dependent on the decision’s importance, which, arguably, is different for each consumer (Kaish 1967), depending on duality acceptance, culture, age (Williams and Aaker 2002), income levels, self-confidence and confidence in personal decisions (Bell 1967) and predisposition to anxiety (Menasco and Hawkins 1978).

However, most scientists support the perspective that generally-accepted high-involvement goods/services (Egan 2007), which pose considerable financial, personal and social risks, render the decision difficult and important, and represent therefore the major dissonance application area. Moreover, as Horowitz and Kaye (1975) emphasize, it is probably the high-involvement positive-motivation (luxury) sector which is more affected by dissonance, as such decisions tend to be emotions-based (often even impulse) and therefore remorse or “pain of paying” (Kivetz 1999, p.251) usually takes effect every time rationality comes into play (Danziger 2005; Donnelly and Ivancevich 1970).

Luxury was traditionally understood as “the best of the best” for privileged people only (Danziger 2005, p.18) and even today authors like Kapferer and Bastien (2008) still perceive luxury as the ultimate opulence and refinery, arguing that there are actually very few pure-luxury brands. However, many academics disagree, proving the rise of a new luxury, a non-essential voluptuous self-indulgence experience “conducive to pleasure and comfort” (Danziger 2005, p.17).

Consequently, luxury can be either pure traditional exuberance or a category’s more expensive options or just any experience that might not seem essential at a first glance (’little luxuries’). Luxuries are not motivated by straightforward, primary needs in Maslow’s pyramid, but by higher-level wants such as belongingness, self-esteem and self-actualisation, which are more complex, subtle and subjective, and could therefore be misunderstood as irrational and discretionary drivers (Brassington and Pettitt 2006). Because these luxury decisions carry a great degree of risk, especially personal and social, it is very important that marketers acknowledge the threat of dissonance and aim to prevent/reduce it, as the next part of the essay will discuss.

3. THE ROLE OF ADVERTISING

As argued in the introduction, advertising needs to reinvent itself and play a role in the building of relationships and engagement for brands, and therefore advertising in general requires a longer-term view (Lempert 2004). According to Ehrenberg (2000) and Brierley (2002), exclusive brand loyalty is becoming an increasingly unachievable desiderate, therefore brands must accept this change and seek to obtain at least the second-best option, repeat ongoing purchases, which is where many academics believe advertising comes into play (Fulgoni 1987; Ehrenberg 2000). Since unresolved dissonance is a deterrent to this objective, researchers agree that probably the most important role of advertising is to reduce dissonance through
reinforcement and reassurance (Brassington and Pettitt 2006), which will increase repurchase probability (Oshikawa 1969; Hunt 1970; Donnelly and Ivancevic 1970), gently nudge the consumer into the repeat-buying habit (Barnard and Ehrenberg 1997) and maintain propensity-to-buy (Ehrenberg and Scriven 1997).

Ehrenberg’s Awareness-Trial-Reinforcement-(Nudging) (ATRN) model (Egan 1997) combines this view with the previous debate that dissonance occurs throughout the entire decision-making process and with the argument that advertising must embrace decision-making as a continuum, where consumers should be persuaded and kept persuaded (Huey 1999), rather than as a linear process, especially since the greatest part of the buying experience is rooted in past experiences (Egan 2007).

Therefore, although adverts must focus on one of these ATRN objectives, complementary they should also communicate and reinforce brand promises, reassure existing consumers of their wise decision and encourage brand salience, thus dealing with dissonance through all stages (either ‘kill’ dissonance in its infancy or reduce it at later stages). It is also important to note that, because luxury brands essentially imply considerable ego and social risks, all advertising for luxury brands should contain the element of image, so that incongruence between self-image and brand image can be avoided (Danziger 2005).

Academics expound several strategies which can help advertising to fulfill the role of reinforcement and reassurance; nevertheless, these strategies are only aiming to simplify the analysis rather than to set rigorous delimitation, therefore real-life examples that will be illustrated will usually combine different techniques and objectives.

Because luxury brands purchasing decisions are mainly emotions-based, motivated by complex, subtle and subjective needs, they may often seem as illogical, on impulse or unnecessary and therefore the need of justification arises (Egan 2007). “Mental accounting”, as Kivetz (1999, p.262) defines it, is the urge felt by consumers to convince, explain and (post)-rationalize (to themselves and to others) a purchase which was either too expensive or not an absolute necessity (Kivetz 1999), and can occur in both the pre-decision and the post-decision stages as a psychological protection against the unpleasant states of anticipated or actual cognitive dissonance.

Researchers agree that justifying and reassuring about the luxury purchase is the essential role of luxury brands advertising (Danziger 2005) and that it is impervious for advertising to intervene with justifiers in order to prevent negative consequences for the brand, such as negative brand attitude, negative word-of-mouth, dissatisfaction, brand switching, back-out or self-control (Donnelly and Ivancevic 1970; Kivetz 1999; Menasco and Hawkins 1978). Chadha and Husband (2006) believe that pure-luxury brands and car brands in general already understand the important role that advertising has for dissonance reduction, and this is a reason for which they commit important financial resources to advertising (Gucci, for example, was allocating 12% of their sales to advertising in 2005/2006).

In dissonance prevention at pre-purchase stage, advertisers could for example employ reasonable “puffery”-style promises (Korganokar and Moschis 1982, p.38; Olshavsky and Miller 1972, p.19-20) of safety and quality which, if emphasized correctly, can be very efficient in reducing dissonance anticipation by convincing consumers of the worthiness of increased financial/personal effort to buy a more luxurious brand. Conversely, empirical tests have substantiated that the need for rationalization also appears post-purchase, when consumers eagerly seek adverts/information related to the chosen and the un-chosen brands in order to compare and contrast (although the comparison will always be biased in the direction of the chosen alternative) and to ‘logically’ confirm their decision (Oshikawa 1971; Engel 1963; Ehrlich et al. 1956; Bell 1967; Deighton 1984).
If advertising can properly uphold brand promises employed at the pre-decision phase and maintain positive brand attitude and salience, this will help in preserving repurchase probability and even in getting the brand into the next stage, that of relationship-building. For these objectives, academics and practitioners recommend strategies like quality and trust reassurance (Green 2007), real-people testimonials or celebrity/opinion-leaders endorsement (Marshall et al. 2008; Brierley 2002), the creation of brand stories/‘hi’stories (Danziger 2005), or even the creation of brand clubs, where only the privileged and those who deserve it, are allowed (Danziger 2005; Fill 2009).

4. COGNITIVE DISSONANCE IN ADVERTISING

Volvo is a brand often equated to safety, and its advertising plays on this important human need to lure consumers into paying the luxurious price without doubt and remorse (thus preventing dissonance anticipation) or to reassure new purchasers that the extra financial effort was worthy. Press adverts reinforce this through emotional taglines –“pay more for a car and live to see why” (Arens et al. 2009, p.115) - and the website contains consumer-generated stories of how “Volvo saved my life” (Volvo 2009).

Safety, trust and quality have also been employed by another brand pertaining more to the ‘little luxuries’ sector. In order to save the company from another takeover bid, Marks&Spencer launched “Your M&S” campaign in 2005, aiming to convince consumers to once again see the brand through rose-tinted glasses, reinforce quality and price-worth-paying, and make existent purchasers feel proud of their choices and even become brand advocates (Green 2007). The tagline “This is not just food, this is M&S food” (Fill 2009, p.11; Green 2007), combined with high-quality food imagery to indulge the taste buds, and with copy emphasizing the organic and environmentally-friendly prerequisites of any M&S food (Green 2007) consequently incentivizes consumers to pay more and treat themselves with pleasurable products without feeling remorse or guilt, because they are convinced that M&S was the best decision possible.

Pre-purchase reassurance and thus dissonance avoidance can also be obtained through another kind of strategy; Direct Wines designed an effective through-the-line press advert campaign in December 2007 in The Sunday Times which combined imagery and copy for enhancing the aspirational appeal of high-quality luxury wines (reducing social and ego risks) with discounted ‘buy-it-now’ and money-back opportunities (reducing financial risk) (Fill 2009, p.172). Instead of ignoring back-out as a common direct-delivery brand phenomenon, Direct Wines chose to acknowledge this fact and to provide a proactive solution, which increased brand credibility and therefore reduced dissonance likelihood.

The post-rationalization need is probably even more acute for ‘little luxuries’ purchases where rationality is rarely employed before the actual payment or even before the actual consumption stage, where feelings of remorse over a ruined diet, for example, might appear. The classic strategy applied by many brands is the “naughty but nice” justifier (Brassington and Pettitt 2006, p.123) used, for example, in the 1970’s/1980’s when Barbara Windsor or comedians Les Dawson and Roy Barraclough endorsed fresh cream cakes. The message was an adaptation of the Machiavelli credo that the purpose of indulging pleasure can excuse the naughty means (high fat, high sugar cakes) (Matthews 2001; Visit4Info 2005). But justifying considerable expenditures on non-essential luxurious pampering products might also be supported through testimonials/endorsements (Marshall et al. 2008).

Boots effectively takes advantage of this strategy, especially through their own-brand magazine, which aims to “communicate brand values, reward its customers and drive sales” (Fill 2009, p.169). The publication is mostly dedicated to Advantage Card holders (therefore existent
customers) and is a savvy way of saying “thank-you for previous custom” (Fill 2009, p.169) while also reinforcing repeat purchase and cross-sale. Reassurance that pampering is a wise decision worth the money is achieved through random testimonials of brand satisfaction from real-women and through celebrities, like Elle MacPherson, who endorse their own lines available through Boots by giving hints and tricks for best results and by encouraging all women that Boots is the best way to create some personal pampering-time (Boots 2009).

As previously-discussed, consumers tend to eagerly seek for advertising from the chosen and the un-chosen brands in order to confirm their wise decision, especially if the purchase involved high financial/personal involvement. Press advertising is a beneficial method of combining imagery appeals (necessary for every luxury brand) with information that is both practical and inspiring; Tempur Pedic luxury mattresses employ this strategy in their adverts by using suggestive imagery like spa/beach escapism and unwinding to emphasize comfort and relaxation, plus copy and images illustrating the scientifically-tested medical benefits of a high-quality mattress (Creative Club 2009; Fill 2009, p.144).

Launched in 2009, BMW’s “Joy” global campaign focuses on the brand club strategy which not only reduces dissonance (Danziger 2005), but also builds enduring brand relationships by acknowledging that “what people feel is … as important as what they drive” (Youtube 2009). Based on “the value system and the lifestyle” of customers (Marketing Interactive 2009), this international campaign aims to build an emotional attachment with the brand that represents joy, by showing how BMW world-wide owners enjoy their car and cherish it through fan-clubs, somewhat in the style of VW Beatle and Mini owners.

The message of proud owners is a leitmotiv among car manufacturers; in 1996 Nissan’s luxury brand Infinity launched its “Own one and you’ll understand” North American campaign showing the owners’ “unwavering devotion to their cars” (Tokumitsu 2007, p.1), in order to arouse non-owners’ curiosity and, most importantly, to reinforce current owners’ pride of ownership and turn them into brand advocates. General Motors’s partnership with the “Transformers” movie is another example of efficiency in raising excitement and pride among “followers”, especially for the Chevrolet Camaro (“Bumblebee”) model (Rose 2009). Their integrated campaign comprised not only product integration, but also digital entertainment like games, micro-site, viral marketing and blue-jacking (The 7th Chamber 2009).

Another method of instilling a sense of pride in luxury brand owners is to create an engaging brand story/“hi’story through which people can experience the brand and feel special for having chosen it (Danziger 2005). Crystal Cruises campaign in 2004 played on the self-esteem and self-actualisation needs by creating a BBC-style drama which depicted a woman enjoying the luxury cruise as a reward for her past good deeds, with the tagline “You must have done something good in a past life to deserve luxury like this” (Danziger 2005, p.186).

The justifier, therefore, is that the consumer deserves this luxury and should feel proud, not guilty, for having purchased it. Conversely, Luis Vuitton’s 2008/2009 campaign mixes subtle celebrity endorsement with brand placement in historic contexts, thus making brand owners feel proud of their flare to choose such a valuable artifact. Adverts illustrate exceptional moments/people in mankind history (Sally Ride, Buzz Aldrin and Jim Lovell on their conquest-of-the-moon journeys, Mikhail Gorbachev in the dawn of the Berlin Wall fall or the Soviet Union collapse, Francis Ford Coppola in the creation of a movie) with Luis Vuitton products as the essential accessories without which events could not have been the same (Creative Club 2008/2009).

Brands like Patek Philippe luxury wrist-watches manufacturer use history in another context, by encouraging owners to start their own brand tradition. Products are never portrayed as goods per se, but rather as part of consumers’ lives and heritage – “You never actually own a Patek Philippe. You merely look after it for the next generation” (Creative Club 2009). This is
more than a brand, it is a family tradition, an important art collection, or even a lover (Nautilus, for women, is the beginning “of and enduring love affair” (Creative Club 2009)), therefore the consumer cannot but feel delighted and gratified for his choice.

5. CONCLUSIONS

In conclusion, as this essay aimed to prove, cognitive dissonance, as part of the costumer-centricity movement, is an essential concept for marketers, especially in the luxury goods/services segment, albeit still under-researched (O’Neill and Palmer 2004; Bawa and Kansal 2008). For marketers to be able to fully exploit the potential of theories alike, a fresh new flexible thinking that acknowledge modern consumers’ reality (Huys 1999) must be employed.

The collaboration between cognitive dissonance theory and advertising could have outstanding outcomes, and companies such as Marks&Spencer have taken advantage of this knowledge in order to revitalize their brands. Advertising can utilize this knowledge in order to revitalize itself in brand reinforcement and relationship-building; under-exploiting this potential, however, could lead advertising into a virtually unsolvable crisis (Brierley 2002).

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EXPLOITATION OF SHALE GAS IN ROMANIA – OPPORTUNITY OR THREAT?

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ABSTRACT:
The various changes that have occurred in Europe and especially in Central and Southeast Europe urgently need to identify the main areas of cooperation between countries to diversify sources of supply for oil and gas. In these circumstances, countries including Romania, have to make a major effort, financially and technologically, to conduct extensive research studies specific to the discover, evaluation and exploitation of new deposits of unconventional natural gas, which to be added to the conventional ones or substitute them, over time. The development and exploitation of unconventional gas reservoirs, especially shale gas, was considered not long ago as uneconomical and cumbersome technical and/or technological. Now it was revealed that the exploration and exploitation of shale gas is perfectly feasible both technically and technologically, and economically, safely for the environment and population, thus substantially increasing the existing gas reserves and their exploitation/valorization. Taking into account the national interest to find new deposits of natural gas to ensure the necessary internal conditions and sustainable development in the energy-environment area, the objective of this paper is to obtain an understanding of multi-dimensional process of exploration and exploitation of shale gas in Romania in a European and international context.

Keywords: shale gas, alternative energy sources, environment, ecological threat, risk

1. INTRODUCTION

As it is well know, global energy consumption, local and of each country is still growing both industrially and for the population. In the current energy balance an extremely important, if not the most important, it is oil and natural gas both as primary and secondary energy sources (motor fuels, lubricants, etc.), as well as for various chemicals, petrochemicals and other. Therefore, in the present and in the near or longer future hydrocarbons are and will be the main energy source of mankind, with all successes and development of other types of energy including the renewable.

In this context, the various changes that have occurred in Europe and especially in Central and Southeast Europe urgently need to identify the main areas of cooperation between countries to diversify sources of supply for oil and gas. In these circumstances, countries including Romania, have to make a major effort, financially and technologically, to conduct extensive research studies specific to the discover, evaluation and exploitation/operation of new deposits of unconventional oil and especially natural gas, which to be added to the conventional ones or substitute them, over time.

Globally, including in Romania, it is known that the development and exploitation of unconventional gas reservoirs, especially shale gas, was considered not long ago as
uneconomical and cumbersome technical/technological. Now it was revealed that the exploration and exploitation of unconventional gas, particularly shale gas is perfectly feasible both technically and technologically, and economically, safely for the environment and population, which will substantially increase the existing gas reserves and their exploitation/valorization.

Due to some reasons, both objective and subjective, oil and gas production in Romania decreased drastically. In these circumstances Romania depends largely on imports of large quantities of crude oil and natural gas, respectively. In this situation it is extremely important any increase in domestic production of oil and especially of natural gas.

As regarding the exploitation of natural gas from unconventional reservoirs, especially those from gas-bearing clays (shale gas), this is an extremely urgent and very important for Romania to ensure the needs for domestic consumption and possibly additional quantities for exports.

In conclusion, we can say that if crude oil output growth forecasts are more limited, for natural gas they are the most optimistic and sure on short, medium and long term. In this context and taking into account the national interest to find new deposits of natural gas in order to ensure the necessary internal conditions and ensure sustainable development in the energy-environment area, the objective of this paper is to obtain an understanding of many-dimensional process of exploration and exploitation of these gases in Romania in a European and international context.

2. PETROLEUM OPERATIONS ASSOCIATED TO UNCONVENTIONAL GAS AND THEIR POTENTIAL ENVIRONMENTAL IMPACT

The discovery and exploitation of unconventional gas resources requires specific activities known as petroleum operations, grouped into four phases: exploration, development, exploitation, and abandonment.

In all phases of complex petroleum operations potential sources of pollution have been considered, with pollutants specific to various environmental factors as follows:

- **Driveways:** removal from circulation of agricultural land, forestry etc. affected by that objective;
- **Industrial areas and utilities:** pollution by image, noise, vibration, lighting effects, heating, waste disposal specific to the activity, and so on;
- **Drilling wells:** materials for furnishings, consolidations, seals; drilling fluids; cuttings resulting from drilling; land and roads compaction; use and dissemination of chemicals, petroleum products used as lubricants and/or fuel, free eruptions, etc.
- **Heavy traffic:** the great number of trucks serving a location may vary between a few hundred and over a thousand trucks with equipments and fluids, with negative effects on road infrastructure, especially in rural areas. The effects are seen both in the exploration phase, and especially in the development phase when the traffic intensity is highest;
- **Leakage and spreading out of drilling fluid and/or fracturing fluids** used in the horizontal drilling, based on polymer or synthetic oil;
- **Leakage of chemical additives components of fracturing fluids** transported in tanks and subjected to mixing;
- **Accidental leakage through geological structures** penetrated by wells trail (cracking);
- **Accidental leakage** because of bad wells cementation
- **Wells in production testing:** land compaction, possible emissions into the atmosphere and/or soil of well fluids, gases and light fractions, etc. resulting from production testing, spills of fracturing fluids, slurries etc.;
- **Wells in production**: leaking in the environment of well fluids, wells gas emissions, light products, CO\(_2\), H\(_2\)S, aromatic hydrocarbons, which are released into the atmosphere; spreading on soil of sludge and/or substances and materials used for performing simulation, injection, sand consolidation, hydraulic fracturing etc.;
- **Injection wells**: injection agent (waste water, gas) infesting the soil surface and/or in depth by breaking the columns, by cracking sewerage etc.;
- **Wells in overhaul process**: circulation and killing fluids, other fluids from the well etc.;
- **Pipelines**: corrosion phenomena, fracture, breaking, mechanical deformation (bulldozers and excavators actions, landslides and land erosions, earthquakes, effects of extreme weather conditions) etc.;
- **Separator parks and tanks**: accidental liquid leakage, sludge resulting from cleaning tanks, separators and decanters, stored mud etc;
- **Pumping, treatment and injection plant**: substances used to treat oil and wastewater, for wells treatment, for surface and depth equipments treatment etc.;
- **Wastewater and/or industrial treatment plants**: spills of liquid outside the parameters limits allowed;
- **Indirect emissions of chemicals**: by evaporation, resulting in wastewater basins and dumped on the soil surface;
- **Accidental spills of drilling or fracturing fluids**: mixed with solid particles from the tank storage area;
- **Chemicals and heavy metals**: left in soil/subsoil and likely to reach into the groundwater;
- **Wrong management of solid and chemical wastes**: involved in shale gas extraction etc.;
- **Abandoned wells**: pollute the landscape, pollute by sterile and traces of drilling and extraction activities, and even by the emanations or drains of accumulated fluids, especially gas.

The greatest potential effect on the environment of all petroleum operations carried throughout the concession is found in the development phase for the following reasons:
- it performs the largest volume of petroleum operations: dozens of wells and hundreds of hydraulic fracturing operations conducted in 4-5 years;
- area occupied by a location for 6 to10 borehole (multi pad) is about 3.6 ha and ensure exploitation of 250 ha (AEA, 2012). From these figures it appears that, by digging the multi-pads, the total area occupied in the operation is a perimeter of 1.4% or 2% at most, when taking into account even the areas occupied by roads, pipelines, and so on. Most hydraulic fracturing operations are performed simultaneously at a lot of wellbore which leads to the use of large volumes of water and hence to the need of making large sealed bunds (up to 30,000 m\(^3\));
- a cumulative effect may occur on the environment, both in terms of water usage, traffic, noise, waste management (including recycled water, resulting from the hydraulic fracturing), as well as of the chemicals used in the fracturing fluid.

Therefore, impact assessment on the environment of petroleum operations related to shale gas is a complex process that requires detailed information about the locations of wells, geological and hydro-geological structure, tectonics and seismicity of these areas for the location of wells and so on, information that is not available until after the completion of exploration phase.
3. HOW SHALE GAS ISSUE DIVIDES EUROPE

Extraction of shale gas through hydraulic fracturing, a well known controversial process technology, created differences even in Europe. On June 5, 2013, Germany has been delayed until after the general election in September to discuss a law to regulate them.

Last year, the Bulgarian government canceled the operating license granted to shale gas company Chevron, after numerous calls from the public amid fears that hydraulic fracturing technique could lead to poisoning of groundwater, and even challenge earthquakes.

The first state to ban the method was, however, France, where, at the end of June 2011, members of the Parliament have decided to block the use of hydraulic fracturing technique used in oil and shale gas exploration and exploitation, considered by the French people as a source of excessive pollution.

On the other hand, the Poles, who signed, in turn, contracts with U.S. giant Chevron, makes exploit starting with 2015 shale gas and climb the first in Europe on this niche. Momentum investors, however, was tempered last period by the information that the government intended to charge 80% the profits arising in this market. In addition, the Americans were struck by the fact that the deposits proved weaker than initially estimated and more difficult to exploit than the United States based deposits.

Other countries that have granted licenses in this area are the United Kingdom, Hungary and Spain.

4. SHALE GAS EXPLOITATION IN ROMANIA

In our country, according to a report presented by the U.S. Administration for information on energy (EIA) estimates for Romania in terms of the amount of shale gas that could be extracted reach 1,444 trillion cubic feet, which would cover the domestic consumption for the next 100. Moreover, OMV Petrom and ExxonMobil estimated to extract every year from Neptun perimeter of the Black Sea about half the current annual gas consumption in Romania that is 6.5 billion cubic meters.

Shale gas is found in conventional reservoirs, and deep clay geological structures (as depicted in Figure no. 1). In the Romania legislation there still are not differences between conventional and unconventional resources, and have not been identified procedures needed to assess the impact of mining or exploration projects of shale gas could have on the environment.

Figure 1. Shale gas extraction method hydraulic fracturing
Currently, in Romania, Chevron seems to have the monopoly on the exploration of shale gas, this company being granted with operating licenses in Vaslui county (in Pungesti village, near Barlad) and Dobrogea region (in Costinești, Vama Veche and Adamclisi). In total, the American multinational company has the right of exploration and exploitation of shale gas to an area of about 271,000 acres near the Black Sea. From data advanced by the Romanian officials up to now, exploration would take over two years after licenses are granted, and the operation can proceed only after five years.

There are, however, other companies interested in shale gas in Romania, but have not yet exploration licenses; it's about OMV Petrom, ROMGAZ, MOL and NIS, which is a subsidiary of Gazprom, Russia.

Another perimeter where studies are conducted is located in Suceava county, specifically Climăuți, and is owned by the Australians from Zeta Petroleum, in partnership with the Singaporeans from Raffle Energy. According to Romanian officials, in the next period NAMR will hold auctions for designated firms to make shale gas exploration. Moreover, in other areas 30-35 will be started shale gas exploration, without knowing in detail the risks of the process.

In this respect, Chevron representatives argue that the methods used by them in the process of exploration and exploitation would be safe for the environment. Hydraulic fracturing technology is used since 1960 to over a million wells. In order to perform the frack, a mixture consisting of water, sand and small amounts of additives is pumped through a well; perforations mixture then enters the drill string and creates cracks that are filled with sand to make gas flow. Chevron representatives argue that the additives used in hydraulic fracturing are used in conventional operations as well, and are regulated by the European Union member states.

However, shale gas extraction is challenged by environmental activists, who argue that access to deposits, less accessible as compared to traditional landfill gas, can contaminate groundwater with chemicals.

5. CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis of multidisciplinary geological, technical, economic, environmental and legislative aspects, with significant impact on exploration and exploitation of unconventional gas the authors reached at the following conclusions and recommendations:

- Systematic geological survey of Romanian unconventional gas potential basins in order to determine existing resources, through both basic scientific research programs funded by the state budget, and by leasing respective perimeters to companies able to bear the high cost of geophysical exploration and through exploring wells. Old formations, Paleozoic and especially Silurian of Carpathian foreland space can be of great interest.

- In the exploration phase each geological unit must be examined and considered separately, because the geological features (stratigraphy, sedimentology, organogenetics, tectonics) are very different, have specific storage conditions and natural gas release, and thus require different technologies for their exploration and exploitation. Lithological columns developed based on data from outcrops or boreholes, should be completed by sequential analysis.

- Assessment of natural gas reserves existing in clay formations (shale gas) must be done after the design and drilling of some exploration wells that have to determine, through a 3D approach, the geometry (architecture) of rock bodies, their thickness, lateral expansion, lithological homogeneity, and formation permeability as a whole. Researches need to continue to assess the reserves of tight gas (in Pannonica Basin and
Transylvanian Basin), gaseous coals (in Anina Basin, and in the future in Dacic Basin), and gas hydrates (in the Black Sea).

- Introduction and enforcement of new technologies and good practice rules use in unconventional gas drilling and operation, characterized by high performance, safety and insignificant risk to harm people and the environment.
- Risk assessment of environmental damage, establishment of transparent and predictable procedures for the approval of unconventional gas recovery projects, public information on real risks, monitoring of the environment throughout the exploitation and post-abandonment of unconventional gas field, and imposing immediate relief measures of accidental pollution;
- Assessment of economic impact for different scenarios of unconventional gas field development to provide to policy makers the choice of optimal strategy to exploit the resources of the country;
- Introduction of new technical regulations related to the location and construction of operation wells, monitoring and control of petroleum operations, while enhancing the regulatory, monitoring and control operational capacity of authorities in the field.

As a final conclusion, the authors consider that showing the accurate unconventional gas deposits potential of Romania, considered significant, and the transition to their systematic exploration and exploitation is an opportunity and a necessity of the moment but only while applying modern technologies and adopting a regulatory framework regime, to reduce potential risks to acceptable values.

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NEW SECURITY THREATS FOR COMPANIES IN ROMANIA

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ABSTRACT:
In the late years, much attention was focused on cyber-attacks, threats to privacy and the acts of malicious insiders. Despite various efforts, the damaging threats from cyber-criminals continue to face businesses all around the world. At the same time, the type and amplitude of the attacks changed the threats landscape, bringing special attention to some areas.

Computer systems today are related to virtually all business processes in organizations. Consequently, security incidents can cause major damages to internal processes and to entire organization’s activity. Critical security issues can cause stopping all production activities of a company, this is a consequence of the interconnection of IT solution and business processes. Connecting to the Internet a vast range of devices, and the use of mobile devices contributed to the rising exposure to security incidents. This paper aims to analyse the security threats for the information systems of small and medium companies in Romania.

Key words: IT, security, SMB, vulnerability, data

JEL Classification: M15

1. INTRODUCTION

The development of the Internet and connection of a growing number of devices led to reaching a high level of insecurity for companies, public organizations, as well as individual users. Today's networks are characterized by a high level of heterogeneity, in terms of both operating systems and the connected devices. If originally, only PCs and servers were connected to the Internet, today we could experience Internet via a very wide variety of equipment. "Internet of Things" becomes increasingly difficult to manage in terms of IT security, having in view the growing range of mobile devices, the sensors and appliances connected. Consequently, the range of threats faced by various IT equipment is increasing also.

There is a general optimism concerning IT’s potential for creating suitable competitive advantages in many industries. This, beside the new ways of delivering the IT services, such as the cloud computing, led to large adoption of IT technologies, by all sized companies (Johannessen, Olaisen, Olsen, 1999). Furthermore, investing in IT does not ensure its proper use. Although we were able to find positive effects of IT, there is a general opinion that the companies need to pay a lot of attention to developing an IT strategy. This strategy should take into consideration the various aspects of IT, including reliability, resilience, scalability and IT security.

“Information security is no longer a domestic issue. In this age of electronic commerce, one company’s information security certainly affects their business partners.” (von Solms, 1999)

For this reason, information security management should certainly play a major role in a company.
2. LITERATURE REVIEW

“In a society and economy increasingly based on knowledge, information is a business company asset which lies at the heart of managerial decision making as well as success in business; it is at the same time the “power source” of the applied information technology, thus being a decisive factor in efficient operation. Among other things, information may be related to products, services, technology know-how, available resources, or business partners. If information is missing, inaccurate, out-of-date, or if it lands in unauthorised hands, the enterprise may face damage” (Labodi, Michelberger, 2010)

The lack of attention on IT security issues from SMEs is a well-known situation, proven equally by companies’ surveys and academic researches. These organizations are exposed therefore to cyber-attacks. They either do not have the expertise or do not invest enough in terms of antivirus programmes, firewalls, reliable hardware and unambiguous identification systems.

However, developing the business case to support investments in IT security has been particularly challenging because of difficulties in precisely quantifying the economic impact of a breach. Previous studies have attempted to quantify the magnitude of losses resulting from a breach in IT security, but reliance on self-reported company data has resulted in widely varying estimates of limited credibility (Garg, 1993).

3. EVOLUTION OF GLOBAL IT SECURITY ISSUES

Information security management has been placed on a firmer footing with the publication of standards by national bodies. These standards provide an opportunity for security managers to gain senior management recognition of the importance of procedures and mechanisms to enhance information security. They may also place demands on security managers to provide convincing demonstration of conformance to the standards. The companies should maintain a continuous record of the organisational information security scenario and facilitate system security development, business continuity planning and standards conformance audits (Kwok, Longley, 1999). Still, limited resources allocated to the implementation of best security practices, and conduct of regular security checks, proactive patch management, testing backup and recovery systems, make small and medium-sized organizations most vulnerable to threats information. This is the conclusion revealed by a Quocirca company’s report (Quocirca, 2009). The research was conducted on a sample of 240 senior managers of U.S. companies with less than 1,000 employees and 200 senior managers of European companies with less than 300 employees. According to the study, about 25% of midsize companies do not have IT administrators with expertise in managing complex and heterogeneous IT environments. For small businesses, this percentage rises to 50%. The analysis also revealed that small and medium-sized organizations in European countries have fewer employees in the IT department than U.S. companies analysed.

Nevertheless, IT environment of medium sized companies is particularly complex. In spite of their size, these companies use, more often, a large variety of hardware and software resources. In most medium sized companies, older versions of Windows will coexist with new and different combinations of UNIX and Linux, making the safety management a difficult and slow process. Most often, security processes and protecting the data is done manually and, therefore, are often neglected. Only 25% of analysed companies are using automated software for backup management operations. About 20% of them do not have any backup capabilities. More than 30% of these companies have not checked to what extent can recover files in case of disaster for a period more than 1 year.
The same analysis shows that small and medium-sized companies have slow reactions to constantly growing threats. Over 75% of small and medium companies are using a high-speed connection to the Internet. However, over 25% of them declared that, in the past year, have never checked the security of their Internet access. And while 80% of them use an antivirus software solution, less than 50% have installed anti-spyware solutions. In conclusion, small and medium companies remain uncovered in front of potentially destructive threats.

Due to poor patches management, many small and medium companies are vulnerable to security threats. While many of these companies use the advantages of automatic updates offered by Microsoft, approx. 30% of them use an automated management software solution for securing patch non-Microsoft applications. In more developed environments where testing and centralized management of patches is crucial, only 40% of companies use a software solution for automated patch management.

Data security has become the main concern of the majority of those occupying a CIO seat in a company. And the more so as the threats are becoming more and more sophisticated and business practices are more dependent on the IT. Unfortunately, questionable security has significant effects, not only for those companies but also for their customers and partners. And the consequences for companies vary from financial losses and confidence loss, up to reputation loss, to employee losses and even company failure.

The signs coming from the data protection practices are good, however, reveals a recent study on security practices in the companies, conducted by the Ponemon Institute. There are also some shortcomings that could embarrass even the best-intentioned companies. The study, which took into account 68 organizations in North America, revealed that 56% of respondents plan to integrate information security and privacy of information in their current practices. Over 80% of surveyed companies said they already have data protection strategies, while 70% of them keep records of personal data collected, used, shared and stored to avoid risks.

In this respect, international security corporate Symantec has established the most comprehensive source of Internet threat data in the world, which is made up of more than 41.5 million attack sensors and records thousands of events per second. This network monitors threat activity in over 157 countries and territories.

According to their last report (Internet Security Threat Report - ISTS 2014), the total number of security breaches in 2013 was 62 percent greater than in 2012. 253 security breaches were reported in 2012, larger than the 208 breaches reported in 2011. But even a 62 percent increase does not truly reflect the amplitude of the breaches in 2013. Eight of the breaches in 2013 exposed more than 10 million personal identities each. In 2012 only one breach exposed over 10 million identities. In 2011, only five were of that size (ISTS 2014).

![Figure 1 – Number of security breaches, in 2012 and 2013 (ISTS 2014)](image-url)
Over 552 million personal identities were breached in 2013, putting consumer’s credit card information, birth dates, government ID numbers, home addresses, medical records, phone numbers, financial information, email addresses, login, passwords, and other personal information into the criminal underground (ISTS 2014). In the same regard, 232 million identities exposed during year 2011, half of the number exposed in 2013.

![Number of identities exposed by security breaches, in 2012 and 2013 (ISTS 2014)](image)

More zero-day vulnerabilities were discovered in 2013 than any other year Symantec has tracked. The 23 zero-day vulnerabilities discovered represent a 61 percent increase over 2012 and are more than the two previous years combined. (ISTS 2014)

Zero-day vulnerabilities are covered by ISTS also, because they give attackers the means to silently infect their victim without depending on social engineering. And by applying these exploits in a watering-hole attack they avoid the possibility of anti-phishing technology stopping them. Unfortunately, legitimate web sites with poor patch management practices have facilitated the adoption of watering hole attacks. 77 percent of legitimate websites had exploitable vulnerabilities and 1-in-8 of all websites had a critical vulnerability. This gives attackers plenty of choices in websites to place their malware and entrap their victims. Typically cutting-edge attackers stop using a vulnerability once it is made public. But this does not bring an end to their use. Common cybercriminals rapidly incorporate zero-day vulnerabilities to threaten all of us. Even though the top five zero-day vulnerabilities were patched on average within four days, Symantec detected a total of 174,651 attacks within 30 days of these top five becoming known (ISTS 2014). Scammers continued to leverage profitable ransomware scams - where the attacker pretends to be local law enforcement, demanding a fake fine of between $100 and $500. First appearing in 2012 these threats escalated in 2013, and grew by 500 percent over the course of the year.

These attacks are highly profitable and attackers have adapted them to ensure they remain profitable. The next step in this evolution was Ransomcrypt, commonly known as Cryptolocker. This is the most prominent of these threats and turns ransomware vicious by dropping all demands of being law enforcement and is designed to encrypt a user’s files and request a ransom for the files to be unencrypted. This threat causes even more damage to businesses where not only the victims’ files are encrypted but also files on shared or attached network drives. (ISTS 2014)

Holding encrypted files for ransom is not entirely new, but getting the ransom paid has previously proven problematic for the crooks. With the appearance of online payment methods
ransomcrypt is poised for growth in 2014. Small businesses and consumers are most at risk from losing data, files or memories. Prevention and backup are critical to protecting users from this type of attack. (ISTS 2014)

While the prevalence of mobile malware is still comparatively low, 2013 showed that the environment for an explosive growth of scams and malware attacks is here. Our Norton Report, a global survey of end-users, showed that 38 percent of mobile users had already experienced mobile cybercrime. Lost or stolen devices remain the biggest risk, but mobile users are behaving in ways that leave themselves open to other problems.

Mobile users are storing sensitive files online (52 percent), store work and personal information in the same online storage accounts (24 percent) and sharing logins and passwords with families (21 percent) and friends (18 percent), putting their data and their employers’ data at risk. Yet only 50 percent of these users take even basic security precautions. The number of brand new malware families created slowed as malware authors worked to perfect existing malware. In 2012 each mobile malware family had an average of 38 variants. In 2013, each family had 58. However several events in 2013 showed that mobile users are highly susceptible to scams via mobile apps. It might be said that mobile malware has not yet exploded because the bad guys have not needed it to get what they want (ISTS, 2014).

Figure 3 - The Global Intelligence Network, (ISTS 2014)

4. SECURITY TRENDS IN ROMANIAN MARKET

Having in view the results of the international studies, this paper aims to perform a local survey concerning security issues for small and medium companies. While large and international companies often report implementing security strategies and practices, there are small evidences of how SMEs are dealing with the security threats.

The survey addressed the Romanian Small and Medium Companies (herein called SME). SME stands for small and medium enterprises, as defined in EU legislation (Commission Recommendation 2003/361/EC). The companies concerned have had between 50 and 250 employees. Also very important is that these companies had a minimum of 40 computers or laptops, and mobile infrastructure used for business purposes (smartphones, tablets). 25 companies were selected for the company, meeting all the selection criteria. There companies perform in areas such as consulting services and retail distribution.

Regarding the methodology, important to note is that in addition to interviews with people who had duties related to security and IT infrastructure management, the study used a range of IT security auditing applications. The use of these applications has enabled a thorough knowledge of the IT infrastructure of organizations.
5. RESULTS OF THE SURVEY

a) 80% of companies surveyed have an infrastructure based largely on Windows XP

The study revealed that 80% of the SMEs have an infrastructure where most of the PCs and laptops have installed Windows XP. Since April 2014, Microsoft withdrew the support for Windows XP. This means that where there are new security threats in the operating system, they will not be corrected by updates by the operating system manufacturer (Microsoft) and support will no longer be provided.

The security problems are also caused by obsolescence of the operating system (as can be seen in Figure 4 below). In 2001, the Windows XP release year, there were only 50 million users connect to the Internet, in 2013 this number increased to 2.7 billion users. The number of sites increased from 40 million to over 640 million, and if in 2001 they sent 31 billion e-mails to over 297 billion sent in 2013. Given these changes in the Internet, Windows XP has proven its limits. The architecture has aged and is unable to respond to new security challenges anymore.

Figure 4 – Internet evolution: 2001 (Windows XP launch) vs. 2013 – Microsoft Security Intelligence Report - 2014

b) 75% of companies not using Active Directory (AD) or Lightweight Directory Access Protocol (LDAP)

Active Directory (AD) is a directory service domain developed by Microsoft Windows networks, included in most Windows Server operating systems as a set of Processes and Services. An AD domain controller authenticates and authorizes all users and computers in a Windows domain type, assigning and enforcing network security Policies for all computers and installing or updating software. For example, when a user logs into the computer that is part of a Windows domain, Active Directory checks the submitted password and determines whether the user is a system administrator or normal user.

The Lightweight Directory Access Protocol (LDAP) is an open, vendor-neutral, industry standard application protocol for accessing and maintaining distributed directory information services over an Internet Protocol (IP) network. Directory services play an important role in developing intranet and Internet applications by allowing the sharing of information about users, systems, networks, services, and applications throughout the network. As examples, directory services may provide any organized set of records, often with a hierarchical structure, such as a corporate email directory. Similarly, a telephone directory is a list of subscribers with an address and a phone number. LDAP is specified in a series of Internet Engineering Task Force (IETF)
Standard Track publications called Request for Comments (RFCs), using the description language ASN.1. The latest specification is Version 3, published as RFC 4511. For example, here is an LDAP search translated into plain English: "Search in the company email directory for all people located in Nashville whose name contains 'Jesse' that have an email address. Please return their full name, email, title, and description."

The lack of an infrastructure based on AD or LDAP create major problems related to IT security. The two technologies are designed to authenticate users and provide access only to the resources (e.g. files, servers, directories, printed) the users are entitled to access. This problem could create serious problems in using IT infrastructure.

c) 90% of companies do not have backup and disaster recovery procedures

The study shows that SMEs do not have standardized backup and data recovery procedures in case of disaster. If large companies and financial institutions are now required to have these procedures, the lack of legislative action on the SMEs side has led to this situation. The most important is that all the 25 companies surveyed have IT systems in the operations area, so their malfunction can lead to complete blocking activity.

d) 30% of companies do not have any antivirus solution installed on PCs or laptops

It is important to note that almost a third of respondent companies have at least part of the IT infrastructure defenceless against the most common security threats – the computer viruses.

e) Three of the analysed companies do not have security solutions installed on servers

Three of the 25 companies analysed in this study do not have any security solutions installed on the company’s servers. This can cause total disruption of business and lead to the theft of data critical to the company's activity.

6. CONCLUSION

In 2013, we witnessed the diversification and sophistication of cyber-attacks. In this regard, the companies are exposed to more complex attacks, and may have substantial damages. In general, small and medium companies are most likely to be under attack, since they have not the financial resources to invest in the latest security solutions. Once opened these security breaches at small and medium companies (which have the quality of suppliers or customers of government agencies or large companies), hackers can attack more simple <<from inside >> the large organizations. The study presented in this paper shows that SMEs are not prepared to tackle the security issues. Consequently, their lack of consistent security policies can cause major damages.

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    http://internetworldstats.com/
IMPROVING THE LEARNING EXPERIENCE IN UNIVERSITIES BY USING COLLABORATION CLOUD-BASED IT SOLUTIONS

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ABSTRACT:

Universities are complex organizations, with many processes involving many stakeholders. Nowadays, technology is an integral part of university life. Most of universities around the world are using the latest technologies, from intranet, email, cloud, collaboration platforms to interactive lecture theatres. Some universities are truly innovative in their approach, enhancing the educational processes and simplifying the teamwork with powerful communication tools.

The focus of this study is placed on some Romanian universities that have made a commitment to moving all or part of their communications and collaboration computing into the cloud. They have experienced sizeable benefits from their decisions to move computing beyond the walls of their campuses. The study will present cost savings in specific categories: hardware, software, IT labor, less travel, due to the implementation of certain IT solutions. End users and IT administrators will experience increased productivity, improved availability and disaster recovery, better archiving and compliance, and IT security. A university could achieve also benefits above the value accruing from its existing on premises software capabilities. Their teachers, students and staff will enjoy instant messaging, online document and multimedia resources storage, new collaboration and cooperation experiences, greater mobility, new learning approaches.

Key words: cloud computing, collaboration, operations management, IT

JEL Classification: O330

1. INTRODUCTION

Increasing number of universities are looking to cloud computing for IT cost reduction, flexibility in delivering the latest tools to staff and students, greater productivity and collaboration, reduced infrastructure complexity, and improved IT security. A university can now afford the benefits of first-class IT infrastructure and the latest versions of software applications without the traditional financial investments. Removing the large upfront capital expenditures in favor of the predictability of paying on “per-user basis” improves the university’s financial position. Furthermore, as the users continue to become more remote, more mobile, and more reliant on multiple devices, the cloud is the right architecture to reduce complexity and to deliver services to employees and students anywhere, anytime, and on any device.
LITERATURE REVIEW

Cloud computing is a kind of computing which is highly scalable and use virtualized resources that can be shared by the users. Users do not need any background knowledge of the services (Ercan, 2010). A user on the Internet can communicate with many servers at the same time and these servers exchange information among themselves (Hayes, 2008). Cloud Computing is currently one of the new technology trends (broadband internet, fast connection and virtualization) will likely have a significant impact on teaching and learning environment. Organizations of all kinds place challenge how to redesign their IT operations to support their activities and operations in the light of different technology trends so they can achieve their objectives. Rising operations demands are forcing responsible IT people to consider new ways to reallocate their limited internal resources to better support their organizational priorities.

Cloud computing is largely used in many fields nowadays, including schools and universities. The results of a survey that have been completed in 2009 by Gartner analysts (Figure 1) about the IT trends (especially cloud computing) show that it is being used more in the areas of finance and business when compared to other sectors (Gartner, 2009). Results are shown as a pie chart and the labels on each different slice represent different industrial sectors and services. The “/” is used to separate different sectors with the same percentage. (Ercan, 2010).

![Figure 1. Cloud usage (Ercan, 2010)](image)

Cloud computing is a term used to refer to a model of network computing where a program or application runs on a connected server or servers rather than on a local computing device such as a PC, tablet or smartphone (Vouk, 2008). This is the opposite concept for „On-premises software” (sometimes abbreviated as "on-prem" software) which is installed and run on computers on the premises (in the building) of the person or organisation using the software, rather than at a remote facility, such as at a server farm or cloud somewhere on the Internet.
The underlying concept of cloud computing dates back to the 1950s, when large-scale mainframe computers became available in academia and corporations, accessible via thin clients/terminal computers, often referred to as "static terminals", because they were used for communications but had no internal processing capacities.

Figure 2. Cloud computing timeline (Pallis, 2010)

Cloud computing could be accessed by organizations in various ways, such as:

- **SaaS** – Software as a Service
- **PaaS** – Platform as a Service
- **IaaS** – Infrastructure as a Service

"Service(s) as a Software" (SaaS), is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted on the cloud by independent software vendors (ISVs) or application service providers (ASPs).

Figure 3. Cloud computing model
SaaS is the most common use of the service, as we could mention here: SalesForce, Microsoft Dynamics CRM, Yahoo Mail, Gmail, Dropbox, OneDrive, Google Apps, Microsoft Office 365.

Many of the previous work in the field of cloud computing have been in the areas of new technologies, general explanation of the cloud technology, differences among similar technologies, security requirements and the future expectations in these emerging environments. Banerjee (2009) provides an overview of technological researches performed in labs, and a cloud-scale intelligent infrastructure attracts, smart environments like utility computing, smart data centers, pervasive computing, automation, virtualization and intelligent networks already penetrate many spaces of our daily live.

Other studies focused on the features, use and benefits of cloud computing in different areas.

With regard to universities, it is common knowledge already that the students want to use more and more modern devices and applications, while universities seek more cost-effective technology to cope with increasingly complex challenges. Satisfying these demands will lead to explosive growth in using collaborative technologies, as well as in data and analytics. On the other hand, the education organizations need to differentiate themselves, and using of technology could make a big difference. Smart mobility will change the way people interact. Increasingly, smart devices — portable tools that connect to the internet — have become a part of our lives. In the last quarter of 2010, sales of smartphones outpaced those of PCs for the first time, according to data from E&Y. By 2014, more smart devices are used to access the internet than traditional computers.

![Smart mobility: technology-enabled options driving transformation](image-url)

Figure 4. Main key developments shaping the world (E&Y, 2011)

The move to an increasingly mobile world will create new players and new opportunities for a variety of industries. Education could not be out of these trends. Facing the mobile younger generations, the universities have no other option than to tackle the new technologies, growing rapidly and profit more quickly from new applications and systems as they become available. This is the case of the network education. Network education is a new teaching organization form, which have been used by more and more universities.
In the current financial crisis and being challenged by growing needs, universities are facing problems in providing necessary information technology (IT) support for educational, research and development activities. The objective of this paper is to find alternatives to the use of IT, while leading universities to improve agility and obtain savings (Mircea&Andreescu, 2011).

2. DESCRIPTION OF THE TECHNICAL SOLUTION

Office 365 Education has been chosen for our study. It was identified in a large number of organizations, and could be considered as a relevant solution on the market. Office 365 Education from Microsoft provide staff, faculty, and students with free email, sites, online document editing and storage, IM, and web conferencing. This is a very good choice for universities that want to modernize their communications and productivity infrastructure.

**Office 365 Education plans include:**

<table>
<thead>
<tr>
<th>Email and calendars</th>
<th>Email services through Outlook experience, which could be accessed from the desktop or from a web browser using Outlook Web App. Offers a 50 GB mailbox per user and send attachments up to 25 MB. Use the university own domain name.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web conferencing</td>
<td>Host online meetings with audio and video using one-click screen sharing, HD video conferencing, and virtual whiteboard.</td>
</tr>
<tr>
<td>File storage and sharing</td>
<td>OneDrive for Business gives users 25 GB of personal storage that syncs with their PC for offline access. Share documents with others through Office or SharePoint.</td>
</tr>
<tr>
<td>Mobility</td>
<td>Sync email, calendar, and contacts; access SharePoint sites; view and edit Office documents with Office Online using a browser on Windows Phone, iOS, and Android devices.</td>
</tr>
<tr>
<td>Administration</td>
<td>The admin portal provides IT detailed configuration options for the services, either from an online portal or through automated management with PowerShell commands.</td>
</tr>
</tbody>
</table>

**Some Office 365 Education plans (A plans) also include:**

<table>
<thead>
<tr>
<th>Office suite included</th>
<th>Always have the latest versions of Office suite: <img src="https://example.com" alt="Office Suite" /></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosted voicemail support</td>
<td>Hosted voicemail support with auto-attendant capabilities. Voicemails are recorded to Exchange Online and users can access them from Outlook, Outlook Web App, or a compatible mobile phone.</td>
</tr>
</tbody>
</table>
3. USING OF MICROSOFT OFFICE 365 FOR EDUCATION

Microsoft Office 365 for Education is, first of all, a very powerful collaborating tool. Microsoft Office 365 for Education improves student outcomes by using technologies that help teachers focus on addressing a variety of learning styles and needs to reinforce how students learn. With Microsoft Office 365 for Education, students and teachers could collaborate without boundaries on-line and off-line to more easily share resources, jointly develop and use curricula, and communicate in a way that works for all parties. Microsoft Office 365 for Education could prepare students for the workforce by building skills using familiar Office tools that connect with the way people work today: in social groups.

Teachers, staff and students get anywhere access to email and calendars, Office Web Apps, video and online meetings, and document sharing.

All these familiar tools would be accessed in the cloud, from the mobile phone, PC or Mac, using email, instant messaging, voice calls, and online meetings. Students create, edit, store and share class materials with Office Web Apps, and avoid the hassle of USB drives or email attachments. They could record presentations and post them with coursework on online class sites, collaborate online with colleagues, white board items, easily share files, and video chat. They also could share the calendar and files with the people they choose.

Teachers and educators all over the world are using Microsoft Office 365 for learning, teaching and helping to make their administration more streamlined and efficient. Microsoft Office 365 for Education is a great tool for education and for enhancing learning and teaching.

Microsoft Office 365 core services are: SharePoint, OneDrive (former SkyDrive), Outlook and Office Web Apps. Over the past few years, many schools and other education institutions have been making use of Virtual Learning Environments (VLEs) and have used these for connecting, communicating and for Learning and Teaching activities. Many institutions have found that the take-up and use of these sometimes expensive VLEs is very slow and patchy as they are sometimes over-complex and difficult to use. Office 365 with SharePoint is free to schools and universities and can be the ideal managed learning platform.

Following, there are some ways to use Microsoft Office 365 for Education:

a) Set up a team site for the institution staff members
b) Set up a team site for each of your classes
c) Create a community hub for your students
d) Use SharePoint as a Learning Platform
e) Sending email messages
f) Make conference and meeting rooms available for booking
g) Make shared resources available for booking
h) Book resources for classes and meetings
i) Set up distribution lists in Exchange
j) Use OneDrive as your virtual filing cabinet.

4. APPROACH AND RESEARCH METHODOLOGY

We took a multistep approach to evaluate the impact that Microsoft Office 365 for Education can have on an educational organization. We interviewed Microsoft marketing and sales personnel to gather data relative to Microsoft Office 365 and the marketplace for cloud-based collaboration and productivity solutions. We also interviewed four universities currently using Microsoft Office 365 for Education or planning to implement Office 365 for Education, in order to obtain data with respect to costs, benefits, and risks.
We designed a group of assessment criteria, on characteristics of the interviewed organizations. We employed four fundamental elements in order to assess impact of Office 365 for Education:

1. Costs.
2. Benefits to the entire organization.
3. Flexibility.
4. Risk.

A total of 12 interviews were conducted for this study, involving representatives from the following universities:
- Babes-Bolyai University - Cluj Napoca
- University Titu Maiorescu – Bucharest
- University Titu Maiorescu

5. UNIVERSITIES INVOLVED IN THE STUDY

Babes-Bolyai University (UBB) – Cluj Napoca

Babes-Bolyai University (UBB) is one of the most prestigious institutions of higher education in Romania, continuing the successful tradition of the Cluj universities. Established in 1919, it is also famous for its multicultural features, excellent proven by the faculties of the university, which offers degree programs in several languages. The Babeş-Bolyai University is the largest academic institution in Romanian, which embodies the entire academic tradition in Transylvania, inaugurated with the Jesuit College founded by Prince Stephan Bathory in 1581.

The development of a university is a complex undertaking, requiring the achievement of quantitative and qualitative parameters, able to provide increased performance and competitiveness of the university nationally and internationally. Being the university with the largest number of students in Romania, optimizing communication processes is a challenge and also a measure of the efficiency and quality of educational services. In this context, UBB uses Office 365 solution for optimizing communication processes within the educational institution.

Babes-Bolyai University includes: 21 faculties, 12 extensions in the territory, 2 language centers, more than 40,000 students in all programs of study, 1,400 teachers, 374 researchers, 326 programs of study in Romanian (160 undergraduate and 166 master), 109 programs of study in Hungarian (77 undergraduate and 32 master), 20 degree programs in German (14 undergraduate and six master), 40 study programs in English (11 undergraduate and 29 master), 9 programs of study in French (three and six master's degree).

Titu Maiorescu University (UTM) - Bucharest

Titu Maiorescu University (UTM) was founded in 1990 as a private higher education institution, having nine faculties: Psychology, Law (in Bucharest and Tg. Jiu), Medicine, Dentistry, Social Sciences and Political Sciences economic (in Bucharest and Tg. Jiu) and Computer Sciences. Currently, Titu Maiorescu University is one of the most diverse universities with regard to program areas and specializations, both for bachelor and master. Modeled by the classic Bolognese model, the university is cultivating the educational performance, being today an European modern university, recognized as such in both the Romanian and European higher education area.

Titu Maiorescu University has continuously developed, being as one of the most prestigious Romanian higher education institutions.

The University is a modern university, having quality, efficient, competitive and pragmatic programs, directly related to the economic and labor market, aiming to achieving excellence in research. The University is a member of the European Universities Association (EUA), and other leading organizations of higher education institutions in Europe.
6. DESCRIBING THE INITIAL SITUATION AND THE CHANGES: QUESTIONS TO BE ANSWERED

Universities are confronting with a dramatic increase of costs in higher education, and a decrease of universities’ budgets, which leads to the pressure of finding some alternative means of reaching their purpose i.e. the education of students and accomplishing the research. As a response to these pressures, the universities must perform changes in order to be service oriented and in order to optimize the efficiency and effectiveness of all internal operations and of all interactions with the main stakeholders (Mircea and Andreescu, 2010).

First of all, it is important to determine how communication and collaboration are critical to the activity and operations of the organization. We tried to find out specific examples of business processes where communications and/or collaboration are critical. The below figure shows the main data flows in the organization.

![Main data in university](image)

Figure 5. Main data in university (Mircea and Andreescu, 2011)

The questions we addressed were:
- What communications and collaboration solutions did universities have in place prior to the Office 365 deployment?
- What communications challenges were they facing?
- Are there any examples to be provided where lack of communications capabilities led to additional work or costs?
- What collaboration challenges were they facing?
- Are there any examples they can provide where lack of collaboration capabilities led to additional work or costs?
- What is the organization’s strategy for hosted IT solutions?
- Did they face any specific challenges with an on-premises solution for some or all users?
- Did they investigate other options besides Office 365 for this solution?
- How they made the decision that Microsoft Office 365 for Education was right for their needs? (reducing the costs, deploy to a wider audience, single vendor for all users, roadmap, understanding of business processes, support, trust, partner support).
Second, it is important to establish what capabilities these universities are providing to users: email, collaboration, IM/Presence, conferencing, voice mail.

Third, technical and administration issues were taken into consideration:
- How did they license Office 365?
- How easy was it to migrate users/data from previous solutions to Microsoft Office 365 for Education?
- How has administration changed for the user on Office 365?
- How did the universities found the security capabilities?
- What concerns did they have about moving online?
- Was any training required?

Another important discussions focused on the benefits – any benefits that can be quantified such as cost savings or time saved on tasks are especially valuable.

- Are the universities able to focus on their core business activities instead of IT support?
- Did they measured any cost reductions or cost avoidance?
- How has the solution improved employee/students/teachers communications or educational processes?
- Are the employees and students able to work from more locations or devices?
- How has this improved educational processes?

7. THE RESULTS OF THE INTERVIEWS

The universities reported many benefits.

First off all, they reported a significant staff productivity increase. The features included in the Office 365 solution greatly improve the productivity of knowledge workers. They noticed the mobile workers incremental productivity gain. In addition to the general productivity gain, mobile workers see an incremental improvement by being able to more easily access IT resources and content from the road.

Accessing the cloud services eliminated the hardware. As a cloud solution, Office 365 largely eliminates the need for on premises hardware, and also the third party software. Office 365 includes software components for which an organization would typically pay extra, such as third-party antivirus/anti-spam and email backup solutions.

Today, virtually every university student owns a laptop or tablet device, and seeks a high-quality learning experience. The students could use their own devices. The universities discovered that there is no sense to continue to purchase, install and maintain so many student workstations—and desktop applications suites—when students have their own device which they prefer using anyway. Maintaining fixed labs can be a drain on university finances.

Lync Online includes a web conferencing solution that can replace third-party solutions, so respondents reported large Web conferencing savings.

With regard to Microsoft licenses, the Office 365 subscription model substitutes the need for on premises Microsoft licenses. These include Office Professional Plus licenses, server licenses, and Client Access Licenses (CALS).

Office 365 implementation avoided on premises planning and implementation labor. The cost and effort to implement a comparable on premises solution would be higher than for Office 365.

Using Office 365 reduced IT support effort. By outsourcing the administration of infrastructure, the IT administration effort for these solutions is largely eliminated. Additionally, the skills required by the remaining support staff are reduced, allowing for less expensive resources to be hired.
The respondents reported reduced travel costs and corresponding CO2 emissions. They described that have been able to significantly reduce the number of trips for teachers and administrative staff.

Improved functionalities and easy upgrade was another point often mentioned during the interviews. Office 365 provides a clear and easy path to upgrade to the latest versions of the Microsoft solutions.

From financial point of view, there is noticed a better cost predictability. The universities interviewed found it very valuable to have an accurate prediction of what IT expenditure would be for the next year. This also greatly simplified the budgeting process.

Reducing CAPEX (Capital expenditure) was mentioned by all respondents. All universities interviewed said it was important to move expenditures from CAPEX to OPEX (Operational Expenditure), both in terms of predictability and the ability to get the funding approved by the CFO (Chief Financial Officer).

Improved availability and disaster recovery was often mentioned during discussions, as well as improved IT security. The Office 365 solution ensures that the latest security patches and updates are in place. Improved IT security is also realized through the use of world-class IT security solutions and a highly secure infrastructure provided by Microsoft.

Also, we should add improved archiving and compliance. Office 365 has improved archiving through the use of SharePoint shared document stores and native email archiving in Exchange Online that eliminates the need for local Outlook .pst files. This has also reduced the time to address regulatory compliance inquiries.

With regard to other operations and educational benefits, we could mention the followings.

Better student-teacher relationships and opportunities to grow the activity have been reported by all respondents. Many of the benefits above translated into better education processes. Additionally, freeing up administrative and IT users’ time allowed them to focus on improving the general activity of the organizations.

The teachers and IT people appreciated the enhanced student experience with virtual desktops. Both students and teachers were tied to IT labs when working on assignments. With virtual Windows desktops and Office on their own devices, they are free to work when, where and how they want.

All universities in the study underlined the need for an electronic campus (e-campus) with the capacity for online teaching and hosting of virtual classrooms. Teachers and students can work together on projects, study groups or clubs through team sites contributing to the joint organization of documents, notes, activities and conversations on the same subject.

Before the implementation, the universities did not even have a unified email system, teachers and students using their own personal email addresses. So, the new e-mail system improved the collaboration and the reach of the staff and students.

Soon, the universities learned that the university domain name is a plus in the activity. With Microsoft Exchange Online, universities have a unified email system for communication. The academic leaders, teaching and non-teaching staff, and students now have a common email and online communication platform. Equally important, they have the university domain name in all email accounts, which could strengthens the university’s identity.

The Academic portal was also mentioned. If initially the portal was used only for publishing teaching materials currently used, then the portal is used to choose options, registration to conferences or making exams. In addition, the portal allows online organizing and managing teams practice, as well as specific student projects. The courses have been integrated
in electronic support on the faculty portal, saving thousands of paper documents. They are now indexed and retrieved very quickly.

8. CONCLUSIONS AND FURTHER STUDY

Network education is a new teaching organization form, which is now used by more and more universities. Their benefits are widely recognized by management and IT specialists. It is also important to answer also to such questions as to what degree the students and teachers may adapt themselves to the new collaboration and teaching organization form, and what factors may affect their learning adaptation in this type of teaching organization form.

REFERENCES:


http://office.microsoft.com/en-us/academic/
LEADERSHIP TOOLS AT WORK: HUMOR AND PLAY

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ABSTRACT:
In this paper I examined the effects of humor and play at individual and organizational levels. Specifically, I investigated whether the use of humor and play may be associated with performance and different leadership styles. Results indicate that humor and play may be effective “tools” in enhancing individual and organizational performance. The leadership style used within an organization may also contribute to enhancing performance when moderated by humor and play. Implications and future directions for research on the use of these leadership “tools” are discussed.

Key words: humor and play, transactional leadership, transformational leadership, laissez-faire leadership

JEL Classification: M140, M190

1. INTRODUCTION

Humor has been identified as an effective management tool. According to Bass (1990), humor is frequently associated with leadership and with a leader’s ability to induce change into followers (Hogan, Curphy and Hogan, 1994). Indeed, many organizations such as Southwest Airlines attribute higher levels of employee commitment, cohesiveness and performance to leader’s use of humor and play in their cultures (Katz, 1996).

Some empirical evidence also suggests that there is a relatively strong link between humor and creativity. For example, Csikszentmihalyi (1996) and Murdock and Ganim (1993) have found that the use of humor in organizations has been associated with stimulating individual and group creativity by motivating divergent, creative and innovative thinking. Moreover, it is possible that leaders who use humor will also influence their followers to find novel solutions as well as attain higher levels of productivity (Romero and Pearson, 2004).

Humor helps openness to new ideas by reassuring people and making them less likely to find fault with mistakes or new ideas (Romero and Cruthirds, 2006). This function leads to risk taking which promotes creative thinking (Morreall, 1991). Lower levels of criticism lead to a more harmonious environment, providing people the opportunity to act on creative thinking and implement new ideas more freely (Romero and Cruthirds, 2006). Isen et al (1987) also found that in a humorous environment individuals are more likely to engage in creative problem solving.

How does humor support creative thinking? Evidence shows that humor fosters creativity by offering practice at gaining new perspective on problems. In other words, creativity can increase when people are exposed to a humorous atmosphere (Ziv, 1989). For example, simply listening to a humorous recording increases scores on a subsequent creativity test (Ziv, 1976). People also perform more creatively on a task when it is designed as “play” than when it is designed as “work” (Glynn, 1988). According to Von Oech (1990), humor spreads thinking
which helps develop alternative ideas and promotes the mental flexibility that leads to innovation.

Despite the fact that studying humor has the potential of providing significant insights into management and organizational behavior, relatively little research has examined the connections between the use of humor and play and leadership. What we do know about the relationships between humor, leadership and performance is perhaps best summarized by Crawford: “Perhaps of all the communicative strategies that leaders utilize, the use of humor is most promising, but least understood” (1994, pp. 54). Therefore, in this paper I investigated two questions that have been paid little attention in the literature: To what extent does the use of humor and play by a leader impact positively on performance? For which leadership style is the use of humor more or less effective? In order to find an answer to these questions, I conducted an exploratory study examining how the use of humor and play impacts employees when transformational, transactional and laissez-faire leadership styles are used. I also questioned whether the use of humor and play is directly related to leadership performance.

2. LITERATURE REVIEW AND HYPOTHESES

There are many definitions of humor in the literature (Roeckelein, 2002). For example, Martineau (1972) defined humor as “any communicative instance which is perceived as humorous” and Crawford (1994) defined humor as consisting of “nonverbal and verbal communication which produces a positive cognitive or affective response from listeners”. Based on the definition of Romero and Pearson 92004), this paper defines the use of humor as when leaders produce “amusing communications that produce positive emotions and cognitions in the individual, group or organization”.

Humor is supposed to have both direct and indirect effects on individual and organizational performance. Some of the direct effects may occur because the use of humor and play enhances the affective and motivational states of followers. For example, the use of humor in organizations has been associated with improving morale among workers (Gruner, 1997), creating a more positive organizational culture (Clouse and Spurgeon, 1995), enhancing group cohesiveness (Duncan, 1982), stimulating group creativity (Csikszentmihalyi, 1996) and increasing motivation (Crawford, 1994). The use of humor and play has also been associated with higher levels of productivity (Lippitt, 1982; Clouse and Sturgeon, 1995).

The use of humor and play has been described as motivating creative and innovative thinking (Csikszentmihalyi, 1996). Dixon contended that the use of humor and play stimulates a shift in perspective that allows people to stand back from the problem and take a new perspective to address it. Other areas related to the use of humor and play by leaders include building greater cohesion and commitment in groups and highlighting discrepancies in beliefs in order to stimulate innovative thinking (Ziv and Gadish, 1990). Based on the above mentioned research, I would assert that the use of humor and play would have a positive and direct impact on performance.

H 1: The use of humor and play is positively related to individual and organizational performance.

According to Malone (1980), when humor is properly used, it enhances managerial performance. For example, data indicate that managers use humor and play to cope with stress (Ziv and Gadish, 1990). Humor is also helpful when helping people to deal with their problems more effectively, especially when they experience negative life events (Martin and Lefcourt, 1983).
While some leaders are more likely to use humor and play than others (Malone, 1980), there is no evidence on whether the use of humor and play is equally effective across different leadership styles. Therefore, I tried to examine how humor and play help leaders be more productive by comparing the use of it in three leadership styles: transformational, transactional and laissez-faire.

Transformational leaders build confidence in their followers by encouraging them to question the tried and true and by coaching them to develop their capabilities (Bass and Avolio, 1994). The transformational leader is also identified with change. He/she influences others to improve themselves and/or the company beyond what would normally be accomplished without such leadership. Transformational leaders champion the change process and continually communicate their vision to all those involved (Goodnight, 2011). They help followers to see the importance of transcending their own self-interest for the sake of mission of their group and organization. By building followers’ self-confidence, self-efficacy and self-esteem, such leaders are expected to have a strong, positive influence on followers’ levels of identification, motivation and goal achievement (Klein and House, 1995; Gardner and Avolio, 1998).

Using humor may signal to employees that they can handle what they perceive as being out of control. A leader’s humor may reassure the followers that they are powerful enough to control and joke about the stressful situations they have to face. Humor and play may be used to bring a group together (Duncan, 1982) and therefore direct its energies toward performance and accomplishment of tasks and goals. As such, transformational leaders can enhance creativity and performance by creating a more pleasant atmosphere at work (Clouse and Spurgeon, 1995). In this particular case, the use of humor as a tool in a transformational leader’s hands is expected to enhance individual and organizational performance.

H 2: The use of humor and play enhances the positive effect of transformational leadership on individual and organizational performance.

Transactional leadership was described by Burns (1978) as motivating followers primarily through contingent-reward-based exchanges. Transactional leaders focus on setting goals, clarifying the link between performance and rewards and providing constructive feedback to keep followers on task (Bass, 1985). Exchanges are often based on articulating explicit contracts regarding what a leader expects from his followers. In exchange for a leader’s articulating a goal and providing rewards when the goal is achieved, followers are expected to comply with that leader’s performance expectations. Transactional leaders often concentrate on getting tasks done and pay less attention to understanding the human resource needs of their organizations (Bass, 1985). Unlike transformational leaders, they also tend to exhibit a convergent thinking (coming to the single best answer) rather than a divergent thinking (coming up with new and creative observations).

The above observations suggest that transactional leadership should positively relate to individual and organizational performance. To the extent that using humor and play facilitates an exchange between a leader and his followers, we expect humor to enhance the expected positive relationship between transactional leadership and performance. For instance, the use of humor and play can indicate in subtle ways what a transactional leader expects of his followers. After clarifying goals, a transactional leader can use humor and play to make sure followers really heard the message. Humor and play can lighten the atmosphere at work, allowing followers to discuss what they understand that is expected of them in terms of performance.

H 3: The use of humor and play enhances the positive effect of transactional leadership on individual and organizational performance.
The laissez-faire leadership style is where all the rights and power to make decisions is fully given to the employees (Lewin, Lippitt, White, 1938). The laissez-faire style is sometimes described as a “hands off” style because the leader delegates the tasks to their followers while providing little or no direction to them. Prior research (Bass, 1985; Lowe et al, 1996) has linked laissez-faire leadership with poor individual and organizational performance. Laissez-faire leaders who avoid taking a stand with their followers are viewed as less effective (Bass and Avolio, 1994).

Since laissez-faire leaders do not attend to the needs of their followers, their use of humor and play may be viewed as procrastinating or turning attention away from the work that needs to be accomplished. Indeed, laissez-faire leaders may use humor when wanting to avoid taking difficult decisions. Followers might see a laissez-faire leader’s use of humor as an insult and this perception may amplify the expected negative relationship between laissez-faire leadership and performance.

H 4: The use of humor enhances the negative effect of laissez-faire leadership on individual and organizational performance.

While previous research on transformational leadership has mainly focused on replicating effects of transformational leadership over transactional and laissez-faire leadership styles on follower’s performance, there have been no systematic efforts made to link leadership styles and the use of humor and play as tools in improving individual and organizational performance. Therefore, I undertook this gap by testing the above mentioned hypotheses on the main characteristics of leaders’ styles, the use of humor and play and performance.

3. METHODOLOGY

This research was conducted in a Romanian company that imports and sells smartphones. The company is organized in four departments (imports, marketing, sales and investments) and three functional support areas (human resource, internal market and customer service). The sample consisted of 15 leaders representing the top four levels of management and their 122 respective followers. Leaders were men (92%) and had worked an average of 10 years in the company. Leaders were between 30 and 59 years of age.

Surveys were distributed to all followers of each manager who agreed to participate. The followers were asked to rate the frequency with which their manager used different leadership behavior related to humor and play. I assured the confidentiality of responses by coding all surveys and having surveys mailed directly back to me. Each manager had an average of 8 followers, each of whom rated his leadership behavior and use of humor and play. We aggregated ratings across followers for each scale on the basis of the results of a series of one-way analyses of variance (ANOVA). Individual and organizational performance data were gathered 6 months later from company records.
4. SURVEYS

Leadership behavior
The Multifactor Leadership Questionnaire (MLQ) Form 5X was used to measure leadership style (Bass and Avolio, 1997). MLQ scales were redesigned to include only items measuring leader behavior. The variables measured as components of transformational leadership include the following (a sample item for each scale is included in parentheses): charisma (“uses symbols and stories to get his ideas across”), inspirational leadership (“designs a vision on how the future might look like”), intellectual stimulation (“provides reasons to make me change my way of thinking and understanding different problems”) and individualized consideration (“spends time answering my questions and guiding me”).

Transactional leadership was measured by four items (“clearly specifies what I get if I do what needs to be done”). Finally, three items assessed laissez-faire leadership (“he is never here when I need him”). Followers rated how frequently their manager engaged in each behavior on a five-point scale ranging from 0 (not at all) to 4 (frequently, if not always).

Use of humor and play
Five items taken from the literature on leadership measured the leader’s use of humor and play in terms of frequency of occurrence. Items included the following: “uses humor and play to ease stress when deadlines are close and we still have a lot of work to do”, “uses a funny story or a game to turn an argument into a useful lesson”, “makes us laugh when we waste time arguing for nothing”, “uses meaningful stories and tricks to make us stay away from (destructive) conflicts” and “uses wit, jokes and poker to turn opponents and enemies into friends”.

Performance measures in the company
The company provided two performance measures. The first one was the measure of consolidated organizational performance represented by the degree to which a manager achieved targeted goals for the year calculated as a percentage of the goals he met. Each manager had an individually designed contract specifying his annual performance goals. Performance contracts identified three targeted areas weighted according to the nature of the manager’s position and the type of goal; company (two to four measurements based on the company’s objectives), department (two to four measurements based on producing results in the department) and project (one or two measurements based on special project assignments). For each goal, criteria were established to assess expected, superior and outstanding performance. The probability of reaching each performance level varied with the goal’s difficulty. For expected performance, managers had a 75 to 100% probability of meeting the goal, but they had 40 and 10% respectively probabilities of attaining superior and outstanding performance.

The individual performance appraisal measure was a score representing a manager’s overall performance as ranging from 1 (“marginal”) to 5 (“outstanding”). According to the company’s guidelines, marginal was defined as “below requirements as defined by the duties of the job; considerable room for improvement exists; it may be due to inexperience or other factors”. Outstanding was defined as “performance which exceeds requirements by far”. This score was based on three components. First, the manager’s performance relative to his position’s responsibilities was rated on the above five-point scale. Second, the manager’s performance related to his competencies (such as technical know-how, leadership and motivation skills, problem solving and accountability) were evaluated as “requires development”, “competent” or “strength”. The third component was a developmental review of the manager’s major strengths, key areas for performance improvement and the steps required to meet those development needs. Each manager’s performance was appraised by his direct supervisor annually.
Control paths
According to Eden (1990), performance feedback may influence subsequent individual and group performance. The managers received individual performance feedback prior to the collection of organizational performance data. Therefore, I expected feedback to have a positive relationship with organizational performance and included it as a control path between individual and organizational performance. In addition, given that some leaders are more likely to use humor and play than others (Malone, 1980), I included control links between transformational, transactional and laissez-faire leadership and the use of humor and play.

Data analysis
I used the partial least squares (PLS) structural equation modeling technique in order to test the hypotheses. PLS generates estimates of standard regression coefficients for model paths which can then be used to measure the relationship between latent variables. PLS is also appropriate for analyzing predictive research models that are in the early stages of theory development (Barclay, Higgins and Thomson, 1995). By using this methodology, I expected to detect associations that might not be revealed with a more standard regression analysis method (Wilcox, 1998). I utilized full sample data to test hypothesis 1. In order to test hypotheses 2, 3 and 4, I split the sample into two subsamples composed of data partitioned into lower (scale score lower than the 1.86 median score) and higher (>1.86) levels of humor and play. This approach parallels more traditional moderated regression analysis by testing a model separately for each subsample using unpaired t-tests (Sambamurthy and Chin, 1994).

Results
Table 1 summarizes results of the PLS analysis. Supporting hypothesis 1, the use of humor and play was significantly and positively related to individual (path coefficient=0.38; p<0.001) and organizational performance (path coefficient=1.13; p<0.05). Hypothesis 2 received partial support: the relationship between transformational leadership and organizational performance was significantly different in the high-use of humor and play and low-use of humor subgroups and significantly more positive in the high subgroup (t=9.96; p<0.001). However, the relationship between transformational leadership and individual performance was significantly more positive in the low-humor and play subsample (t=7.49; p<0.001). Parallel results were obtained for each of the component scales of transformational leadership.

Contrary to hypothesis 3, the relationships between transactional leadership and individual performance and between transactional leadership and organizational performance were significantly different in the two subsamples and more negative in the high than the low subsample (t=5.49; p<0.001 for individual performance; t=6.52; p<0.001 for organizational performance).

Contrary to hypothesis 4, the negative relationship between laissez-faire leadership and individual performance was significantly different between the subsamples and was more negative in the low-use of humor and play subsample (t=10.97; p<0.001). With organizational performance it was also significantly more negative in the low subsample (t=-18.06; p<0.001).

As is shown in table 1, transformational leadership was significantly and positively related to the use of humor and play to individual and organizational performance. Transactional leadership was significantly and positively related to the use of humor and play, but it was negatively related to individual and organizational performance. Laissez-faire leadership was significantly and negatively related to the use of humor and play to individual and organizational performance. Finally, leader’s performance appraisal was significantly and
positively associated with organizational performance in both the low and high-humor subsamples.

Table 1: Results of PLS analysis

<table>
<thead>
<tr>
<th>Hypothesized proposed path</th>
<th>Standardized path coefficient</th>
<th>Low humor Standardized path coefficient</th>
<th>Low humor</th>
<th>tₘ</th>
<th>High humor Standardized path coefficient</th>
<th>High humor</th>
<th>tₘ</th>
</tr>
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<tbody>
<tr>
<td><strong>Hypothesis 1</strong></td>
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<tr>
<td>Humor and play-leader performance appraisal</td>
<td>0.38</td>
<td></td>
<td></td>
<td>21.42*</td>
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</tr>
<tr>
<td>Humor and play-organizational performance</td>
<td>0.13</td>
<td></td>
<td></td>
<td>4.69**</td>
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<td>5.83**</td>
<td>0.07</td>
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<td>23.78**</td>
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<td>9.72**</td>
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<td>-11.90**</td>
<td>-0.02</td>
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5. DISCUSSION AND IMPLICATIONS

This paper was an investigation of the relationship between various leadership styles, the use of humor and play and performance. Results indicated that the use of humor and play had a positive direct relationship with two measures of performance. Active leadership, either in the form of transformational or transactional leadership was also positively related to the use of humor and play. Inactive, laissez-faire leadership was negatively related to the use of humor and play. These results support theoretical considerations regarding the use of humor and play by managers (Clouse and Spurgeon, 1995) and the role of humor and play in effective leadership (Crawford, 1994; Shamir, 1995; Nita and Simirad, 2009).

Examination of the effects of humor and play indicated the relationship between leadership style, humor and play and performance may be more complex than it was initially assumed to be here. For example, transactional leadership was more negatively related to performance when leaders used humor and play more often. This more negative relationship could be attributed to several conditions affecting the organization. In fact, its CEOs continually emphasized the need for employees to reduce costs while achieving higher goals each year. Employees may have viewed the use of humor and play in relation to setting goals and target objectives as inconsistent with the seriousness of these issues. In addition, the company was operating in a market that was undergoing dramatic change as a result of deregulation in this industry. Using transactional leadership, humor and play may have been viewed as insufficient for addressing dramatic changes in the market (Champy, 1995). Also, coupling the use of humor and play with a style of leadership that is generally less human-relations-oriented, in a context where understanding employees’ needs is required may have led followers to view managers as insensitive to their needs (Shamir, 1995).

The results suggest that by using humor and play, laissez-faire leaders may have been able to reduce the negative effects typically associated with their lack of leadership, including a negative effect on performance. Perhaps some of the positive effects of humor and play mitigated the effects of the avoidance behaviors associated with laissez-faire leadership (Kerr and Jermier, 1978). Indeed, humor and play may create a climate that allows individuals to feel better about the organization even though they are dissatisfied with their leader (Nita, 2012).

6. CONCLUSIONS

In this context, the use of humor and play may have been seen as promoting greater flexibility and innovation, qualities that should enhance performance. However, when used by transactional leaders who expressed great concern with increasing productivity, reducing costs and achieving contracted goals within a changing environment, humor and play may have had a more negative relationship with performance. Again, this may in part explain the higher negative path coefficient corresponding to a greater use of humor and play with transactional leadership.
Several limitations of this paper also suggest some future directions for research. First, we did not measure the full range of behaviors associated with the leaders’ use of humor or their styles of humor and play. Therefore, the model tested here may be limited in its generalizability.

A second limitation was that nearly all the leaders who participated in our study were men. There is some evidence that different styles of leadership and humor may be used by male and female leaders (Eagly and Johnson, 1990). Third, leadership and humor and play ratings were collected at the same time and from the same raters. As such, the relationships reported here may be inflated by common source effects with positive/negative impressions of leadership resulting in positive/negative evaluations of humor and play. Fourth, unmeasured aspects such as the organizational culture and work groups may have also contributed to the pattern of results reported here.

These results suggest that future research should be directed toward the examination of how humor and play are used in either a socially constructive or destructive manner and its effects on leadership style and performance. Moreover, cross-cultural research might also demonstrate that different styles of humor and play may moderate leadership style differently depending on characteristics of both national and organizational cultures.

Given the need for innovation has become critical, finding the link between the use of humor by leaders and employee creative behavior is important to practitioners. The results of this study has implications for the management of innovation as well: they suggest that it may be possible to affect employee creativity and innovation if managers are encouraged and trained to use humor.

For example, much practitioner literature has focused on ways to make the work environment less formal or serious by using games, contests or activities designed to relax the workplace and enhance relationships. Such methods may be a good alternative for managers who lack a natural ability to be humorous and infuse the work environment with humor. Consequently, providing managers with a humor skills training program to improve their humor skills may result in an increased level of creative behavior among employees.

In terms of methodology, I believe that it would be useful to include multiple methods for measuring both leadership and the use of humor and play. Researchers could develop a much better sense of how various leaders use humor and play and of the reactions of their followers by observing their interactions. Specifically, different styles of humor and play may be more or less effective depending on the groups construct – cohesiveness and creative abilities, communication and innovative behavior. Finally, different results may be obtained in different countries. Future research should address this issue, by using cross-cultural comparisons to strengthen the links between leadership style, individual and organizational performance and the use of humor and play.

ACKNOWLEDGEMENTS

The author would like to thank to Professor Virginia Rusu, Universidad de Playa Ancha, Chile, for guidance, helpful comments and support.

REFERENCES

CHALLENGES OF THE KNOWLEDGE-BASED SOCIETY TO HIGHER EDUCATION

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ABSTRACT:
This paper is an attempt to analyse some of the knowledge-based society’s challenges to higher education in the context of a fast changing global environment. It also tries to find out to what extent universities can turn into entrepreneurial entities. University performance is also discussed from the perspective of “knowledge economy”, with a focus on resources, society demand and return on investment. The need for climate change education is another issue approached with a view to developing a new type of behaviour based on awareness for environment protection.

Key words: higher education, performance, climate change education, knowledge economy, knowledge-based society, higher education productivity, entrepreneurial university.

1. INTRODUCTION

The new trends in the modern society’s development show that society has become particularly challenging to higher education. On the one hand, the most profound results of globalisation have already become characteristics of our modern society. The world we are living in can hardly be imagined without the Internet, fast travelling facilities, mobile phones, ipads, multinationals, global labour opportunities, global financial markets, and multicultural events. For the young generation this is the only pattern they know and, not surprisingly, they are tempted to take for granted a large number of things that the older people are still trying to understand and adapt to. Things have been moving fast. On the other hand, a prolonged economic downturn has continually been changing the picture of the world. Many of the once famous and successful companies have been forced to shrink their production or even to close up, others have promptly occurred offering their products and services to a new type of consumer, while a large number of small companies have disappeared even before they have been noticed by consumers due to lack of financial support, unfair competition and corruption. Well-paid jobs are permanently hunted by highly-skilled people who are ready to make whatever effort is necessary so as to adapt to and work in culturally-diverse teams, regularly offered by multinationals, while unemployment moves the waves of labour migration in various parts of the world for a better work promise.

In this complex work environment, young graduates have to struggle to find their way toward professional fulfilment. The way they take depends essentially on the set of skills they have acquired. This is where the results of education may open an important door toward professionalism or may prove to be a slippery path of uncertainty and disappointment.
In their individual professional development, people may stop at various levels of education. Whatever the level, the graduate will reflect the harmony and efficiency or, on the contrary, the disorder and failure of an educational mechanism connecting the student, the school and the society. These three elements are fundamentally linked by responsibility and commitment to meet the objectives established. In what follows, I will try to analyse the way in which these elements work together within tertiary education, considering the ever growing challenges of the today’s world and trying to see to what extent universities may operate as entrepreneurial units.

2. LITERATURE REVIEW

Any approach to an educational subject has the advantage to benefit from substantial specific literature. Pedagogy or educational science has strong and deep research roots. From Aristotle and Plato to Durkheim, Dewey and Spranger, educational science has built fundamental theories and revolutionary experiments. Educational systems in various parts of the world are essentially connected to these outstanding contributions no matter how remote or recent they may be. This is also the implicit idea of the overview on the progress of pedagogy presented by Cucoș (2001) in a well-organized and systematic study illustrating not only the vastness of the pedagogic research field, but also the depth of the scientific thinking of its remarkable scholars.

Considering some fundamental ideas that may influence further developments in Romanian educational system, we would like to start by mentioning Dimitrie Gusti’s principles (1923; 1927) referring to reform of university education. Though the conditions leading to education reform in Romania in the 1920s were fundamentally different from the present ones, Gusti’s principles concerning the mission of university education are still viable and applicable. Directing university education not only towards acquiring knowledge but also towards forming personalities and future researchers was a basic objective of Gusti’s educational strategy. This is, in fact, one of the main preoccupations of all universities today: to involve students in their own education encouraging them to take on the responsibility of their own professional development, to make them aware of the need to develop such a way as to be able to adapt to a fast changing labour market or to highly demanding research projects. How much of this can universities do is still unclear. However, measuring higher education performance seems to be a great concern for both individuals and society since this is considered an important element of economic progress. If economic progress is viewed as so closely connected with university education, it means that universities are perceived as entrepreneurial entities. In a study carried out in the United States, by the National Academy of Sciences, and focused on measuring higher education productivity, the panel of researchers state in their report summary:

„Teaching and research at colleges and universities contribute significantly to the nation’s economic activity, both directly and through their impact on future growth;” (Sullivan, Teresa A., Christopher Mackie, William F. Massy and Esha Sinha, Eds. 2012:1).

Moreover, governments may have even greater interests in such measurements as they have to financially support education in permanently changing economic conditions:

„Effective use of resources is (and should be) a serious concern in the delivery of higher education, as it is for other sectors of the economy. In the current environment of increasing tuition and shrinking public funds, a sense of urgency has emerged to better track the performance of colleges and universities in the hope that their costs can be contained while not compromising quality or accessibility.” (Sullivan, Teresa A., Christopher Mackie, William F. Massy and Esha Sinha, Eds. 2012:1).
3. TERTIARY EDUCATION BETWEEN LOCAL RESOURCES AND DEMAND OF THE “KNOWLEDGE ECONOMY”

As a recent OECD study\(^1\) on higher education shows, the demand for employees for “knowledge economy” fields still gives encouraging signals that the global labour market will continue to absorb a large number of highly-educated people. However, according to the same study, the global talent pool depends on the economic development of the country contributing to it. Figures indicate that the situation is changing in favour of the fast-developing economies (mainly OECD and G20 countries); although an expansion of tertiary education is an objective of all countries in Europe and America:

“The rapid expansion of higher education in fast-growing G20 economies has also caused a significant shift in the distribution of the global talent pool among countries. A decade ago, one in six 25-34 year-olds with a tertiary degree was from the United States, and a similar proportion was from China. Twelve per cent came from the Russian Federation, and about 10% each were from Japan and India. By 2010, these same countries still possessed the largest shares of young people with a tertiary degree - but in a very different order. According to OECD estimates, China was at the head of the pack, accounting for 18% of 25-34 year-olds with a tertiary education. The United States followed with 14%, the Russian Federation and India each had 11%, and Japan had 7%.”\(^2\)

Taking into account the elements of the educational mechanism (student – school – society) referred to above, one can easily notice that the driving force of this mechanism is society, through its government (or local authority) and the development strategy it establishes and fights to implement. It is the government that has the responsibility to administer all the resources available, so that to stimulate the other two elements to the maximum.

Through its *economic function*\(^3\), tertiary education is responsible for preparing the potential work force for society but it is the government’s responsibility to establish a well-built and stable framework for the setting up and implementation of wise educational strategies that may enable educational institutions to provide suitable employees to the knowledge economy. Only in such a context will universities be able to train young people so that they can be relevant to the internal and global pools of talents. High quality education involves suitable infrastructure and motivated teaching staff. The governments that give full attention to these aspects may count on new generations of specialists who will really be able to take on responsibility for any sector of economy ensuring the desired pace of economic development and the welfare of society. Such governments show that they care of the judicious use of resources in order to create and maintain the local talent pool. Otherwise, the number of graduates with tertiary degree will not have any local significance. Whatever the number of specialists locally educated and trained, they will eventually be absorbed by the talent pools in developed countries.

It is also true that universities may form good specialists even in difficult economic conditions. Remarkably dedicated teaching staff and motivated students may compensate for the lack of governmental attention and support. But not for long. Many of these faculties’ graduates may become real local assets, significant for the local pool of talents, but most of them will keep searching the global labour market in order to take the first chance to find a work place suitable to their professional potential. An example in case is the Romanian School of Medicine, famous for the quality of the physicians it has brought forth. Its graduates continue to be successfully employed by many medical institutions abroad, either in Europe or the United States. No doubt,

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\(^1\) http://www.keepeek.com/Digital-Asset-Management/oecd/education

\(^2\) OECD 2012, Education indicators on focus, 2012/05 (May), p. 2

\(^3\) Bârzea, C. *Arta şi știința educației*, Editura didactică și pedagogică, R.A., București, 1995, p. 43
it is important that they contribute to the global talent pool, but the loss at the local, national level is also important since this indicates a great investment with zero return to society.

Consequently, as providers of specialist to society, universities act as real entrepreneurs. At the same time, governments are not always able to support universities financially, and the latter have to try to find new sources of funds, exactly as real entrepreneurs do. This is a point that should be attentively analysed, because the run for funds may push universities towards activities that do not actually comply with their mission. We could mention here certain research projects that are developed by various university departments even if the outcomes are not directly or essentially connected with their work. Such projects are run simply because they bring money. A large amount of creative energy is diverted this way from the academic activity to some research areas that do not have direct and immediate impact on teaching or laboratory work. Consequently, students cannot benefit from this.

University research is essential to education, but it has to be correctly oriented. In our opinion, it should be strongly connected with the specialism of each university department and should lead to improving the quality of students and graduates increasing their chances of success on the labour market, either locally or globally.

University research should also form researchers. Involving students in the research activity, making them familiar with the research instruments and methods, supervising or leading them step by step so that they can acquire and develop good research skills and encouraging them permanently to innovate are but some of the requirements of student – teacher cooperation at university level. All these things need time and hardly can they be measured in the way entrepreneurs usually do.

Another undesirable consequence of the need for self-financing is the tendency to excessively diversify university services and courses just because some of them might be profitable.

These aspects and some others that need analysing may indicate that universities cannot be easily turned into entrepreneurial entities. Their mission and specific activities will keep them far from acting totally as entrepreneurs. Moving between fundamentally educational mission and certain entrepreneurial requirements may be a serious challenge to universities.

Another challenge may be the new type of student universities are faced with at present. According to an OECD survey, carried out in 2013,

”More than 23 million students across the OECD and G20 countries will start their first university – level course in 2013. The new generation of students will be particularly diverse, with more adults and international students than ever.”

The diversity of the present generation of students may be related to some aspects that are particularly important for the student’s profile:

- some of them prefer to be in the labour market for some time in order to get a better understanding of the things they are going to study at the university; to make a better connection between theory and practice;
- others decide to leave education before graduating because they are offered very attractive job opportunities and after some time they come back to continue their studies;
- there are also mature people who may choose to take some special courses within their lifelong learning programme.

Consequently, universities have to meet the expectations of well-informed students, with clear value standards, clear objectives, much more demanding in their search for theoretical and practical knowledge and able to shift to a more competitive university if they are not satisfied with the teaching quality of the university they have chosen. This is the situation that turns

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4 OECD 2013, Education indicators on focus, 2013/06 (September), p. 1
universities into knowledge bridges between a well-defined segment of students and their potential employer with well-defined job descriptions. To do that successfully universities have to rely on valuable educators, trainers, researchers. As a result, universities have to take upon the responsibility of selecting from the local teaching resources the ones that can really fulfil high-level teaching tasks, can initiate and develop reliable research projects and can stimulate creative energy in their students. In such a situation, the previously-mentioned triangle (student-school-society/government) operates smoothly on the basis of correct principles, totally assumed by all participants to the educational process and regularly on the background of favourable economic development.

However, the direction of economic development may be unpredictable sometimes, the labour market's capacity to absorb graduates may decrease and consequently, the objectives and motivation level of a whole generation of students may change.

4. HIGHER EDUCATION IN TERMS OF RETURN ON INVESTMENT

Statistics generally highlight the fact that the number of higher education graduates will continue to grow by the year 2020:

"According to OECD calculations, there will be 200 million 25-34 year olds with higher education degrees across all OECD and G20 countries by the year 2020. What’s more, 40% of them will be from China and India alone. BY contrast, the United States and the European Union countries are expected to account for just over a quarter of young people with tertiary degrees in OECD and G20 countries."5

This may be indicative of the speed of movement toward a „knowledge-based society”, though figures alone do not give specific information about the quality of graduates and the type of professional areas they can cover in the target society.

The estimates for the rapid expansion of higher education in most countries covered by these analyses start from the assumption that the economies of these countries are moving, and will continue to move, from mass production to „knowledge economy” professions. This is a consistent incentive for them to focus on training their population through higher education. Another assumption is based on the fact that individuals’ motivation to pursue more education will increase, as long as higher education is related to better employment and larger earnings.

Investing in higher education is, in general, an expensive individual project. In some countries, such as Australia, Canada, Korea, Japan and the United States, direct costs of higher education may be very large, either as up-front payments or loan-repayments later on. The time invested in pursuing a degree and the opportunity cost of lost earnings while an individual is in school will add to the initial costs. Nevertheless, the OECD analyses suggest that, as far as long-term economic benefits of higher education are concerned, return on investment is very good. The answer relies on a comparison between a higher education graduate and a man with upper secondary education only. The result shows that a tertiary degree generates a significant long-term economic advantage. In conclusion, at individual level, higher education has a good return on investment.

OECD calculations of return on the public costs of higher education are positive indicating that countries, in general, cover their initial investment. Naturally, there are differences in the level of return for various groups of countries.

However, such results are applicable to countries with growing economies, in a context of global economic stability. Even so, many figures of these analyses may no longer be relevant, as long as the most recent year of available data is 2007. Considering the extension of the

5 OECD 2012, Education indicators on focus, 2012/ 05 (May), p. 2
economic crisis that affected large areas of the world, serious correction should be made to these optimistic results.

Expansion of higher education without correlating the number of places in universities with the labour markets’ capacity to absorb the number of graduates locally and globally has already created certain imbalances in some areas of activity. Perhaps, the most obvious consequence of this fact is an increase in unemployment of highly-educated people. In some countries, as a result of economic crisis, the government’s support of higher education has been drastically reduced, which has affected the quality of infrastructure and of the teaching process, the educators’ motivation and the students’ commitment to study and research. Things have been even worse in those countries where economic crisis has generated political instability, corruption and bad practices. Romania is an example in case, where lack of correct, long-term educational strategies has affected high school students’ set of values, attitude to work and behaviour toward career building. This has resulted in lack of interest in rigorous study, in-depth research, professional development and work-reward system. In this case, universities have a much more difficult task. The educational staff have to do whatever possible to restore the students' trust in honest work, evaluation system and, correct job recruitment. The teaching and practical activities should be organised such a way as to induce in student's enthusiasm for research work and innovation. This cannot be done without the support of convincing, sound educational strategies and firm governmental actions meant to motivate the young generation.

A special form of return on investment in education is the development of correct attitude towards environment. The world the young people are living in and the future generation will have to live in is faced with some serious environmental problems. Perhaps the most obvious of all is that related to climate change. A highly-educated person should understand climate change correctly and should have determination to get involved actively in actions of environment protection. There are numerous environmental courses in university curricula, but the indicator of the performance of these courses will be our students’ every day behaviour revealing a new attitude towards environment. However, in order to ensure positive results, the educational effort made in colleges and universities should be strongly supported by national environment protection strategies and legislation. As long as there are gaps between what students learn at school on environment protection and what is actually done or tolerated in our society's every-day life, return on investment, from this point of view, will be weak and confusing.

It would be much better if education on climate change started much earlier, so that, at university level, we could concentrate mainly on developing climate change awareness and correct behaviour. An interesting attempt has been made in the United States, where the National Research Council of the National Academy of Sciences has established a framework for science education, within which climate change education connects smoothly to the teaching of sciences. This creates a suitable background for correct understanding of possible environmental problems. Though the framework refers to pre-university education, the set of ideas it is based on may be useful at planning environment education at any level of education, including university:

- The committee that developed the new framework defined core ideas as those that
  - have disciplinary significance, meaning that they are seen as key organizing concepts by scholars in the relevant fields;
  - are generative, in the sense that they provide key tools for understanding or investigating more complex ideas and solving problems;
  - are relevant to people’s lives, in that they relate to the interests and life experiences of students and are connected to societal or personal concerns; and
• are usable from kindergarten through grade 12, that is teachable and learnable across the grades at increasing degrees of depth and sophistication. 6

Except for the last one, the above ideas should be taken into account for university curricula too, since they may enable a holistic approach to teaching various disciplines, including environment protection. They may constitute the necessary framework within which theoretical presentations of concepts and their practical applications could generate specific instruments for approaching, classifying and interpreting reality with benefits at individual and societal level.

5. CONCLUSIONS/DISCUSSIONS AND IMPLICATIONS

The points developed above may lead to the following conclusions:
1. The fast changing global environment seems to put more pressure on universities for fulfilling the economic function of higher education.
2. The diversity of interests of the present generation of students influences the decisions universities have to make with regard to the range of disciplines and the types of courses they have to supply so as to meet the expectations of their well-informed students.
3. The growing demand for highly-educated people, as a consequence of the opportunities on the global labour market, increases competition among universities and generates new methods for measuring university performance.
4. The need for self-financing may turn some universities into entrepreneurial units. This process has both positive and negative effects.

Developing the students' awareness for climate change and inducing a correct attitude to environment protection may be considered a new challenge to higher education.

REFERENCES


USER’S ROLE IN PUBLIC SERVICE RENDERING AND THE MEASUREMENT OF HIS SATISFACTION THROUGH SPECIFIC INSTRUMENTS

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National University of Political Studies and Public Administration

ABSTRACT:

The measurement of public services quality has as goal the reduction of the difference between the level of services offered and the level expected by the users/beneficiaries. In this sense, the measurement of the user’s satisfaction level is achieved according to the degree of need anticipation (percentage of services not rendered because they were not considered by the service provider, even though the user expected to be offered), the degree of service demand satisfaction (calculated as percentage of all requests of the service users that cannot be satisfied because of the lack of necessary material basis or qualified personnel), the degree of flexibility (promptness) with which emergency situations are responded to (evaluated by means of the average time between the receipt of the petition to the moment when the respective service was offered), the degree of efficiency in problem solving (calculated as percentage of all problems for which the service promised cannot be offered within the initially established time interval).

The paper presents the existence of a gap between administration and society, in spite of a well-determined legislative framework in the field and here we refer to the law regarding the free access to public interest information (Law no. 544/2001) and to the Law regarding the assurance of decisional transparency within the public administration authorities (Law no. 52/2003) and the measures established within the existing governance programs, consisting of:

a) simplification of citizens’ access to public services and their supply, wherever possible, electronically and by generalizing „single offices/counters”;
b) increase of rigor in motivating and formulating answers, as well as shortening the terms within which the authorities and the public services have the obligation to answer to the citizens’ requests;
c) elimination of the bureaucratic blockages in the central and local administration that the citizens and the economic agents are confronted with;
d) consolidation and enlargement of the participation framework of civil society to the decisional process;
e) improvement of the functioning framework of participative democracy and assurance of the transparency of administrative acts and operative communication with the citizens.

The modalities of informing the citizens with respect to the local problems are performed by means of the local level press, of informative materials displayed at the town hall or in other public spaces, informative materials distributed in the locality through the mail boxes, but also via the Internet or public meetings.

This paper addresses the issue of user satisfaction concept commonly used in quality management and the extent to which goods and services provided by an organization meet or exceed the expectations of the consumer/user. Satisfaction is the state of a user who appears as a result of comparing the performance of their experience with the goods/services that exceed certain specified targets on satisfaction. These underpin the requirements of SR EN ISO 9001:2008 (Quality Management Systems. Requirements).
Also another issue highlighted in the paper is to assess user satisfaction / consumer evaluation has beneficial effects on managers and employees become more aware of the importance of satisfying customers, acting to resolve and prevent issues among impact on satisfaction.

**Key words**: quality management, customer orientation, customer satisfaction, evaluation.

**JEL Classification**: H83, M1

http://www.aeaweb.org/jel/guide/jel.php

http://cran.r-project.org/web/classifications/JEL.html

### 1. INTRODUCTION

| Customer focus | "Organizations depend on their customers and therefore should understand current needs and their future, to meet and exceed expectations," according to SR EN ISO 9000:2006 - Quality management systems. Fundamentals and vocabulary. An organization-oriented client/user is able to predict the evolution of their attitudes and behaviors and thus better satisfy all the requirements, needs and expectations. Collecting and analyzing data and information relevant to customers/users and requirements, needs and expectations, but adopting continuous dynamically methodologies that suit their requirements, organizations are able to maintain long-term relationships with customers and generate benefits for all stakeholders. It is very important to know the market dynamics that the organization evolves and its competitors, the risks it may face and opportunities but you have to create a dialogue with customers. |
| Customer satisfaction | The extent to which the products and services provided by an organization meet or exceed customer expectations. According to SR EN ISO 9000:2006 is a customer perception about the extent to which customer requirements have been satisfied. Satisfaction is the state of a user who appears as a result of comparing the performance of a product/service purchased and consumed their requirements, needs and expectations. "Customer satisfaction is the number of customers or percentage of the total number of customers have reported that the performance of services, property exceeded certain specified objectives satisfaction. There are four situations, namely: a) the performance of discontent (dissatisfaction); b) the performances are indifferent (occasional client); c) performance falls short of expectations (satisfaction); d) performance is above expectations (customer is accurate). |
| Customer loyalty | An occasional client is satisfied with service provided back to the same provider. All measures an organization which seeks positive orientation behavioral intentions of customers' current and future, to a bidder/offer/supply to achieve stability and to build relationships with these customers. |
Claims management

By complaint means all grievances expressed by customers or other reference groups about the work of an organization in a particular market. Claims management means all measures analysis, planning, implementation and control that an organization adopts to resolve customer complaints or other reference groups.

The assessment of public service quality by means if using quality indicators is a current field, widely debated in the political, economic and social environment, attempting to finalize a legal framework in this sense. Only through such an assessment it can be seen if the public service is answering the requests of the users/beneficiaries.

The magnitude of the topic presupposes its interdisciplinary approach, combining notions of public management, public service management, human resources management, sociology, administrative law, public economics. Interdisciplinary is a sine qua non condition in public administration research, and the theoretical instruments available through the bibliographic sources underline and emphasize this fact.

The topic of the quality increase and of access to public services constitutes a present problem, together with two other major objectives, namely: the increase of the autonomy of local collectivities by means of the transfer of new decisional responsibilities, as well as of financial and patrimonial resources, with the observance of the subsidiarity principle and the restructuring of central and local public administration through measures for increasing institutional efficiency, administrative simplification, reduction of current expenses and increase of transparency in relation to the citizens.

The problematic approached is the following:

a) change of the relationship between public administration and the citizen;
b) user’s role in the provision of the public utility community service and measuring his satisfaction through specific instruments;
c) analysis of the qualitative indicators of the public utility community services;

2. LITERATURE REVIEW

The research focused on the analysis of the Romanian and foreign specialty literature and the legislation in the field of public services, respectively of public utility services.

3. THEORETICAL BACKGROUND/ METHODOLOGY

From the common quality indicators, we mention: a) the manner of transmitting the information to the beneficiaries; b) the number of notifications, complaints, petitions per year; c) the percentage of solving complaints; d) the total annual cost of the service; e) the invoice payment modalities; f) the channels for transmitting information to the users; g) service accessibility.

From the specific indicators, we mention:

a) for the cleaning public service: frequency of waste collection, percentage of selective collection;
b) for the public transport service: ease of access to the platforms; access in the vehicles; density of the ticket and passes sale points; diversity of ticket types, trip duration; staff behaviour; comfort during the trip; safety and security in public transportation;
c) for the public lighting service we have: percentage of streets with public lighting, modernization of the distribution network.
Tarangul E.D. (1944, p.130) considered the public service as being „any activity of the public authorities for the satisfaction of a general interest need which is so important that it must function regularly and continuously (for example, education, justice, police, social assistance)”. Prof. Negulescu P. (1925, p.223) said that „The administration works through public services, which are administrative organisms created by the state, county or commune, with determined competences and powers, with financial means procured from the general patrimony of the creator public administration, made available to the public with the destination of giving satisfaction, permanently and continuously, to a general interest. Public service appears as a public law procedure, due to which the state (county or commune) may achieve its goal, giving satisfaction to the general interest.”

Public service is considered by the specialists in the field of administrative sciences as being „an activity of the public authorities for the satisfaction of general interest needs, which is so important that it must function regularly and continuously” (Tarangul E.D. 1944), or „an activity directly or indirectly undertaken by the administration for the purpose of satisfying a general interest need and which is partially subjected to a public law regime”, (Dupuis, G. Guedon, M. J 1991) or “an organism established by law or on the basis of the law, by the state, county, town or commune, for the continuous satisfaction of certain specific interests of society’s members” (Prisăcaru, V. 1993), or a „service established and organized by the state or its administrative divisions for the fulfillment of their executive duties” (Alexandru, I. 2010).

The modalities of informing the citizens with respect to the local problems are performed by means of the local level press, of informative materials displayed at the town hall or in other public spaces, informative materials distributed in the locality through the mail boxes, but also via the Internet or public meetings.

A public utility service, we can say, is of quality only when its characteristics and provision are able to satisfy the beneficiary’s expectations and requests. But, the supplier and the beneficiary do not see service quality in the same way. While the supplier/operator of the public utility service takes into account the specifications in the service documentation, such as standards, provisions in the tasks document, the user appreciated the quality of the service depending on his/her requests.

The information offered to the citizens about the public utility services represent a modality for increasing governance transparency and citizen’s rights to public services (information on the service content and quantity, access to the services, provider’s location, work schedule, eligibility documentation). On the other hand, information must be offered regarding the service standards, punctuality, volume, accessibility, availability, accuracy, safety and opportunity. In most European states there are declarations regarding the standards of the public services, known as the Citizen’s Charter or the Public Service Charter. The standards of the public services are connected to the technical aspects regarding performance measurement and management within the organizations in the public sector, but also to the relationship between the citizens and the state. The information about the services can be defined as any type of information about the characteristics of a certain service addressed to citizens.

Knowing people and their problems leads to the creation of a strong bond between the community and the local public authority because the public servants start identifying with the people they serve. Thus is created the bond between citizens and authorities, on the basis of an extended dialogue and a high degree of trust.
The closeness of the local public services to the population’s requests represents a fundamental need and the authorities of the local public administration play an essential role in their provision. This presupposes, in general, an important degree of decentralization and local autonomy, but also the active participation of the local collectivities in making decisions regarding the provision of these services. The supply of public utility community services must be grounded on the collectivity’s needs and expectations and, therefore, the authorities of the local public administration must first take into consideration those who are going to use the service, when establishing the best way to supply them. This fact is also underlined by a principle that is at the basis of the organizing and functioning of the public services and of public utility services, namely the principle of quantification, which is complementary to the principle of efficiency. The quantification principle sustains the development of a culture of public services oriented towards the user/beneficiary.

This aspect is also established in art. 3, para. (2) of Law no. 51/2006 regarding the public utility community services, with its subsequent modifications and completions, which mentions that „in the organization, functioning and development of public utility services, the general interest of the local communities is a priority and targets the satisfaction, as full as possible, of the user’s requests, the protection of their interests the strengthening of the economic-social cohesion at the level of the local communities, as well as the sustainable development of the administrative-territorial units.” At the same time, in art. 7, para. (2), letters a and h of the same law it is stipulated that „the organization, exploitation and management of the public utility services must ensure the satisfying of the quantitative and qualitative requests of the users”, as well as the „information and consultation of the local communities beneficiaries of these services”.

Correctness, equality, neutrality and confidentiality are basic principles that ensure the quality of public services.

In order to analyze to what extent of achievement of the degree of anticipating citizens’ needs, the degree of satisfying the service demand, the degree of flexibility (promptness) with which emergency situations are responded to and the degree of efficiency in solving users’ problems, a series of indicators were identified, for the public utility community services.

They are: a) number of notifications, complaints, petitions, per year; b) the percentage of solving complaints; c) percentage of sanctions given to operators for not observing their obligations; d) level of the rate; e) the total annual cost of the service; e) payment modalities; g) the service coverage area; h) channels for transmitting the information to the citizens; i) staff’s behavior towards the users; j) average duration of unscheduled interruptions noticed; k) average duration of scheduled interruptions.

For the water and sewerage supply public service we take into account the analysis of the following aspects: service accessibility; drinkable water quality, partnerships achieved in view of educating consumers with respect to water and environmental protection; percentage of water losses in the network, number of complaints regarding the quality parameters of the water supplied, related to the total number of users, per types of users and types of water supplied; percentage of complaints which proved to be due to the operator’s fault; number of complaints regarding the degree of functioning assurance, related to the total number of users; number of written notifications; percentage of total notifications to which answer was given within a term shorter than 30 calendar days; number of suggestions received from the beneficiaries via letters, e-mails, free telephone calls.

For the cleaning service, the paper focuses on the analysis of the following indicators: waste collection frequency; to what extent they are collected selectively, especially given the fact that there is legislation in the field, which must be observed; selective collection frequency; degree of equipment endowment of the operators; wear and tear degree of machinery and
number of new machinery purchased per year, the amount of the cleaning fee, both for individuals and for legal entities; invoice collection degree, number of notification, complaints, petitions per year, percentage of complaint solving.

For the public transportation service we study the indicators: ease of access to the stations; access to the vehicles; density of the tickets and passes sales points; rate level, duration of the trip; comfort during the trip; accident prevention, manner of solving suggestions and complaints, modality of informing the travelers, assurance of inter-mobility.

The role of users in shaping public services has become increasingly important, focusing on the citizen - client whose social requirements must be satisfied.

- Beneficiaries ("bénéficiaires de prestations"). The client is the recipient of a service as a cash payment or statutory compensation and monopoly provider market. For example, unemployment benefits.
- Client ("consommateur"). The customer has the right to choose their supplier from which to obtain the services they need: whether it is a private organization, whether it is a public organization. There is a strong personal relationship.

For example, vocational training.

- User ("usager"). User has no alternative service delivery. For example, public park. User and producer ("Producteur et consommateur"). The user can use the service and play an important role in the production of delivery of the service or the service at the same time. For example, parents who volunteer in schools.
- Buyer ("acheteur"). The user pays a direct contribution to the service. For example, postal services, public transport.
- Taxpayers ("taxpayers"). The user has defined tasks, but provide services to high quality standards is still very important. For example, taxes.

Value = Benefits / Price (or rate)
Performance value = perceived / expected performance

In order to measure the degree of satisfaction in public services, public authorities can define a number of its own internal indicators such as:
- Number of complaints;
- Number of complaints resolved;
- Average time to resolve a complaint;
- Responsiveness to citizen demands public servants;
- Implementation of new ways of relating to citizens;
- Release time of approvals and agreements, etc.;
- Coverage of public service.

But to determine how complete and accurate implicit and explicit needs of users / beneficiaries must resort to some statistical techniques such as questionnaire-based surveys, opinion polls, analyze proposals complaints. Regarding the analysis of complaints, public institutions should:

a) provide the applicant access to complaint handling process open and able to provide the answer;
b) have the capacity to resolve complaints in a consistent, systematic;
c) to identify trends and eliminate causes of complaints and to improve the activities they carry out;
d) provide a basis for analysis and ongoing review of complaint handling and process solutions.
For an effective handling of complaints must be observed a number of principles by public officials in public institutions, namely: openness, visibility (how and where can a complaint be made public); availability (availability of information on the formulation and resolution of complaints); objectivity; confidentiality; approach orientation citizen (public institution must be open to feedback); responsibility; fairness; continuously improve complaint handling process.

Information relating to the complaint, provided through leaflets, brochures or electronically should be made promptly available to citizens. The Complaint involves the following steps are described in standard ISO 10002:2005 Quality management. Customer satisfaction. Guidelines for complaints handling in organizations consists of: a) receiving the complaint; b) follow it; c) acknowledgment of receipt of the complaint; d) initial assessment of the complaint; e) their research; f) response to them; g) communicating the decision and h) closing the complaint.

All complaints should be classified and then analyzed for proper identify systemic problems, repeated and singular, this helps to eliminate root causes of complaints.

**Satisfaction Surveys**

Surveys are a major work in public administration and assist in obtaining customer information.

Quantitative survey data are often useful to provide robust evidence to support an argument for change.

A survey is a systematic collection of data using a questionnaire to collect the same information to each individual user of the service, usually based on a sample within a broader population, which may consist of all service users or a smaller subgroup. General surveys are useful to get a broad picture of the views of service users on various issues.

General satisfaction surveys or polls that are conducted every three to five years is the most commonly used to assess the views of service users. Measuring satisfaction has several conceptual and practical difficulties. Satisfaction surveys are often conducted to meet regulatory requirements. While this does not mean that data is not useful focus less on providing practical and useful local information and more on the requirements. Often surveys are an attempt to assess the overall satisfaction, to measure change over time and build.

**Usability testing and analysis of web sites**

Usability tests should always be used when designing new services, especially online, representing a means to measure how well something can be used (such as a web page, a computer interface, a document, or a device) for its intended purpose.

The questionnaire is a technique which seeks to obtain data by consulting a large number of people, allowing conclusions to be drawn more grounded. Before creating a questionnaire must be known target group is addressed. This technique involves the following steps: determining the objective to be achieved through a questionnaire prepared, achieving questionnaire; Since its launch, gathering responses, their processing and the results. It also requires some basic rules such as:

- a) providing a reduced number of questions (preferably below 20) to be completed in approximately 5-10 minutes,
- b) use closed questions;
- c) evaluating the satisfaction ratings such as very good, satisfactory, dissatisfied;
- d) providing a single question and not more in one.

It is obvious that such a questionnaire-based assessment may not include all customers of an organization given the high costs of such an approach. From the statistic is known that if
certain conditions are observed sampling results established in the samples can be extrapolated to the whole customer with a certain probability of error.

Thus , theoretically , that the sample is representative survey is recommended that the number of customers in the sample represent at least 10 % of the total number of customers / users .

5. CONCLUSIONS/DISCUSSIONS AND IMPLICATIONS

To develop a long-term attractive offers should consider the following elements: a cover as much of the needs of the client / user through the consumption good or service provided, competitive differentiation through public goods and services offered, anticipation and continuously adapt to user needs and ongoing reliability of the services .

Benefits assessment of user satisfaction / customer are:

a) Accurate and regular evaluation of the indicator " customer satisfaction " and determining its evolution ;

b) Estimation of user loyalty and finding new tools, methods loyalty .

c) Improving the management of proposals, suggestions and complaints by the customers - users.

d) Continuous improvement of the quality of public goods and services rendered.

To assess the extent to which public administration fails to satisfy its own citizens it must consider issues relating to :
- Image of authority regarding issues such as: performance reliability, courtesy, speed of response , flexibility and adaptability in solving specific problems , openness to change, assessing citizens ;
- Involvement of public authorities in engaging citizens in issuing the necessary proposals for decision-making;
- Accessibility to public services.

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THE EUROPEAN UNION IN QUEST
FOR THE STATUS OF GREAT ECONOMIC POWER

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ABSTRACT:
In this study we aim at analyzing the position of the European Union in the hierarchy of power centers in world economy. By analyzing new developments and tendencies of the new polarity of world economy, as a result of important mutations regarding the positions of the most important centres of economic power, we can distinguish two major tendencies: the rise of new centres and the relative fall of certain traditional powers. The rise of South-East Asian countries considered to be “the stars of world economy” in the past decades leads to a focusing tendency of economic poles in the Pacific Basin, hence the debate on a new “Mediterranean of world economy” in economic literature. In this context, the EU, regarded as the most advanced form of supranational integration, is the closest centre of economic power to the status of the United States of America, which is the first economic power in the world. EU economy, if we consider the GDP of its 28 member states, is slightly higher than US’s. Also, if we have in view the exports and imports, EU is the first in the world, i.e. the largest commercial market. Its workforce is the third in the world if we have in view the GDP per capita which is smaller than in US due to the joining of poorer Central East European countries to EU. The recent world crisis took EU by surprise for pragmatic and efficient solutions meant to limit social and economic losses. In this sense, the EU construction model is outdated, as many of the economic branches considered successful before the crises became non-performing. To answer the challenges launched by globalization, the European model needs adjusting.

Key words: world economy, economic power, multilateralism, economic integration, EU

JEL Classification: F02, 057, 011

1. INTRODUCTION

In the physiognomy of world economy, some national economies distinguish themselves as “centres of economic power”. They hold most economic power. One of the most important changes that occurred after World War Two, especially during the last decades, was the multiplication of these centres and the passage to a polycentric system. The universalization of interdependencies and the widening of the globalization process did not erase this feature, yet it brought important changes to the geography of power centres, not to mention that it increased considerably the degree of interrelation. Through the channel of interdependency, they either have the effect of instigating to economic growth the economies of dependent partners (hence
the label of “economic growth poles”) or they have side effects of disequilibrium, of causing crisis and recession.

The beginning of the 21st century caused important mutations to the position of great world powers in world hierarchy; along old centres of economic power, of which some lost their place, new ones emerged. The latter seek to impose themselves and have a more important role in taking global decisions. Facing economic, political, social, demographic, geopolitical and geostrategic problems, power centres in world economy went through tremendous changes in the international system which influenced and would determine the power equation worldwide in the following decades. There can be noticed an increasing competition between power centres for global or regional domination, as a result of the confrontation between new power groups with an important influence on economic dynamics and world policy. From the analysis of the evolution tendencies worldwide, we can see that there are two contradictory tendencies: on the one hand, the emphasis on economic integration and less on the political one, of the regionalization of world economy (among other things, we have in view the two processes that characterize EU, i.e. extension and depth, the set-up of ASEAN, etc.), the problems and selections on various economic subsystems that are likely to become global than national (1, 2010).

The concerns on the EU role in world economy, especially as a more and more integrated economic entity, we are again in the pipeline after the burst of the economic crisis in 2007 due to the disputes on a new architecture of economic power centres determined by the rise of China and of other states in the BRIC Group (Russia, India, Brazil, China) and of conceptual and structural problems that it faces, not to mention the relative diminution of economic power in the USA. EU has become a world power pole, yet in this context, a series of transformations occur so as to contribute to a consolidation of status as USA remains the most competitive and flourishing world economy, and China witnesses a full economic rise.

2. HUMAN AND NATURAL RESOURCES

Although, at present, population and surface are no longer decisive criteria in the evaluation of economic power centres, they remain an important factor for their potential, due to the available workforce, the size of the market and the natural resources provided.

In terms of surface, as figure 1 shows, EU is only 4.324.782 km² large, that is not even half as compared to the USA, much less than Russia and Canada [8, p. 137]. With respect to its surface, of all member states, France is the largest EU country, whereas Malta is the smallest. As far as natural resources are concerned, EU is in a middle position, being relatively poor in raw materials, especially oil and methane gas; as a result, EU’s economy is extremely sensitive to their price variations. At the beginning of 2012, the population was of 503.824.373 inhabitants, which represents approximately 7.3% of world population, being the third of the world after China and India, as can be seen from figure 2.
EU is one of the most populated regions of the world, with a density of approximately 115 inhabitants per km$^2$, whereas in the USA, it is of approximately 30 inhabitants per km$^2$. This varies from 470 inhabitants per km$^2$ in The Netherlands to 20 inhabitants per km$^2$ in Sweden and Finland, figures which reflect environmental and economic differences, gaps in the level of development, the most populated areas also being the most developed ones. In EU, the birth rate is reduced due to the aging phenomenon. Since a small number of people will work to support the small number of retired people, welfare will be hardly achieved. When analysed individually, many of these states exert strong attraction forces at a cultural level. For instance, half of the most spoken languages in the world are European ones, English is the language spoken in the US, there are around 50 francophone countries in the world that celebrate their status of related countries through meetings every two years where political problems are debated [6, p. 102]. There are many other examples of resource values that can be seen in Europe. France, Great Britain, Germany and Spain have the most Nobel prize winners in literature, whereas Great Britain, Germany and France hold the second, third and fourth place regarding Nobel prize winners in Physics and Economics, and the third, fourth and fifth place in music sales, respectively.

3. ECONOMIC PERFORMANCE

The European Union viewed as main structure of supranational integration is the closest entity to equal USA in status. All EU economy is a little larger than US economy, with a nominal GDP of 16.58 trillion dollars (16 580 billion dollars), participating by approximately
20% to world GDP. Figure 3 provides us with an image on real GDP for the four global actors, measured in trillions of US dollars. EU maintains its leader position with approximately 15 trillion US dollars, followed by the United States, China with approximately 10 trillion dollars and Japan ranked last with 4 trillion dollars.


Figure 4 provides us information on the evolution of the annual real rate of GDP growth for EU15, as compared to the USA, China and Japan. For EU 15, the economy reached its peak in 2006, dropped in 2008 and 2009 and since 2010 it has shown a steady progress (see Figure 4. Annual growth rates of GDP: EU15, USA, China and Japan 2006-2013, see P2).


However, we should keep in mind that the figures that determine EU’s important position are just GDP additions of member states which require a consensus between members for them to make sense. Actually, EU economy is a sum of national economies that are still reluctant to a total integration that also aims at comprising the political side, thus losing many times in this respect, the competition with the economies of the USA, China and Japan. Regarded as a whole in its act, EU has the capability, technology, financial resources, and population of a great power, yet it lacks the consensus to follow this path. Moreover, it lacks the emotional and idealistic commitment that the USA had when it was founded. Despite the efforts and strategies such as Lisbon 2010, EU does not succeed in earning the dynamism, competitiveness (diminished by oversizing an economic branch considered to be successful) which are no longer so in performance. Moreover, during the past few years, EU also faced other problems such as important gaps in the level of economic development among its constituent countries, political disputes, structural problems, complete institutional reform, lack of efficiency in the European socio-economic model, the crisis of sovereign debts, the relation between the states’ public debt and budgetary deficit and GDP, both being quite high. In 2012, EU’s average public debt was of 22% of the GDP, yet there are also countries where its level is significantly higher, such as: Greece (165%), Italy (122%), Iceland (110%), Portugal (108%), etc.

A chronic problem that EU has been facing for over 30 years, amplified by the financial and economic world crisis which started in 2007, is unemployment; as graph 1 shows, the lowest unemployment rate between 2001-2012 was of 7%. Moreover, unemployment in EU was the longest due to the shocks and crises in this area, not to mention the Union’s structural problems.


In 2011, the EU unemployment rate was of 9.7%, the equivalent of 23.2 million unemployed, and in 2012 it went beyond 12%. In 2012, EU was ranked 113 worldwide and had the highest unemployment rate as compared to the other three great centres of economic power (see Table 1).
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Japan</td>
<td>4.4%</td>
</tr>
<tr>
<td>66</td>
<td>China</td>
<td>6.4%</td>
</tr>
<tr>
<td>96</td>
<td>USA</td>
<td>8.2%</td>
</tr>
<tr>
<td>113</td>
<td>EU</td>
<td>12%</td>
</tr>
</tbody>
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Table 1. Level of unemployment rate in the four great centres of economic power (2012).

EU unemployment rate has increased considerably since 2011 due to structural economic problems of some member states such as Spain, Italy and France. It is important to compare these evolutions with those of Great Britain and especially USA which obviously proves the benefits these economies had with a largest mobility of labour markets. Japan and China have extremely low unemployment rates, a descending trend which can also be noted in 2014. Japan was the most advantaged one with an unemployment rate of 4.4% in 2012. Here, despite slow changes, business culture still waits to offer jobs for life to the active population. The high figures of workforce occupancy are due to high investment rates, the strong financing connections between the business environment and banking systems and the perspective of long-term, rather than short-term profit. China had an unemployment rate of 6.4% that year, and the closest to EU is the USA with an unemployment rate of 8.2%. The world economic and financial crisis of the past years had a strong impact on the workforce and this can also be seen in the indicators that reflect the unemployment rate on workforce occupancy. The rate of workforce occupancy for EU-27 reached 65.8% in 2008, dropped to 64.5% in 2009, 64.1% in 2010 to return to approximately 64% in 2011 and 2012.

An overall image on the evolution of nominal interest rate is shown in figure 5. It is important to know these developments as they reflect monetary policies. A general decreasing trend of the interest rate in EU with slight temporary increases can be noted. In the UK, the interest rate has dropped the most since 2008 from approximately 5.5% to almost 1.2% just in a year, by granting independence to World Bank and the promotion of an independent monetary policy from a political viewpoint. In Japan, the evolution of the interest rate is slightly closer to EU countries, with a slow evolution from a year to another. In China, the interest rate maintained to a superior level as compared to the other states, significantly decreasing in 2008, and in the USA its evolution is comparable to the one in EU with slightly lower values, but since 2007, the trend has remained a decreasing one.
The possibility of innovation has become more and more important in recent years. An image on the power of an economy is not provided by the level of expenses incurred by research and development. Its growth in the EU has taken place in the past years, its percentage in GDP remaining relatively unchanged between 2000-2007. Despite the fact that world economy has been in economic and financial crisis since 2007, starting with 2008 there has been a growth in the intensity of these expenses. Figure 6 shows the level of expenses incurred by research and development as percentage of the GDP for 2011 in EU27, USA, China and Japan. We notice that USA invested 2.77% of the GDP in 2010, Japan being the leader with a percentage of 3.44%, as opposed to EU which only held 2.01%, China recording a percentage below 2%.

An important guideline in the assessment of an economic actor’s potential and a certification of the trust that investors have in its capacity to create added value is the foreign direct investment flow. According to the EU report, “The EU in the World 2013 – A Statistical
Portrait”, the financial and economic crisis of recent years had a major impact on ISD flows in EU which decreased from the maximum value recorded in 2007 to a lower level in 2010. Of the G20 members, the ISD outflows overcame inflows in EU, in 2011, USA and Japan where the flows have been negative, thus indicating disinvestment. ISD flows in EU are dominated by the USA which represented a third of their inflows in EU during 2008-2010 and more than a quarter of its outflows. Furthermore, Canada also represented a significant part of ISD inflows in EU during these three years. On the whole, G20 countries represented 54.2% of the ISD outflows in EU between 2008-2010 and 57.5% of its inflows. An important part of the ISD flows have been achieved in offshore accounts (a total of 38 financial centres in the world), as well as the developed countries outside G20, especially Switzerland. As can be seen in Figure 7, EU is ranked the first in ISD inflows (407 billion dollars) and outflows (304 billion dollars). It is followed by the USA with inflows of 228 billion dollars and outflows of 329 billion dollars: as Figure 7 shows, both China and Japan are much behind the two important economic power centres as far as IDS is concerned.

Figure 7. ISD flows in the four big powers (2010). Source: Processing based on the data provided by “World Investment Report, 2011”.

EU is the highest commercial power worldwide and its imports and exports have increased considerably due to the growth of intra-European commerce. Due to the foundation of a common market, the European Commission gained the right to negotiate on behalf of the member states with respect to commercial problems. Being the largest world market, with more than 500 million consumers, it holds 34% of exports and 35% of imports worldwide. Despite the strong growth exports from China, the EU remained higher in 2012; conversely, imports from China were smaller than China’s from the EU or USA. EU recorded a commercial deficit in terms of goods in 2012 of more than 160 billion euros. i.e. the second largest deficit among the G20 members smaller than the one recorded by USA which was over 565 billion euros. Together, EU, China and USA held more than 40% of world exports and imports in 2012.

4. FORECAST

Figure 8 shows tendencies in the evolution of nominal GDP; thus, USA will continue to be the first of the most powerful national economies globally in this decade. EU will remain the largest world producer with a GDP slightly higher than USA’s. But on the other hand, we notice a strong rise of China reflected in the evolution of nominal GDP which recorded a growth from
2000 billion dollars in 2000 to more than 13 billion dollars in 2013, not to mention the GDP calculated according to the parity of purchasing power (PPP) of approximately 14 billion dollars. Regarding GDP at PPP, IMF estimates an inversion of the first two positions of the top by outrunning USA by Chinese economy in the following 5 years, but not under the aspect of nominal GDP. Linear projections of economic growth tendencies of China in the future may be misleading, if we consider the fact that the countries that benefit from imported technologies in the first stages of economic development maintain higher rates of economic growth, yet they slow down as they reach the upper stages of development.

The world’s largest economies by GDP (adjusted for PPP) Source: Asia on the move – gravitational centre of the 21st century?, Allianz Global Investors Europe GmbH, May 2012, p.5, Available at www.allianzglobalinvestors.de/capitalmarketanalysis

5. CONCLUSIONS

In Europe there have been various attempts to form a union. They found shape after World War Two when the European Steel and Coal Community was founded. Later on, this became the European Economic Community and finally, the European Union with its 28 member states. This union is in full process of integration, reaching the stage of political integration. EU is a leading world actor in many aspects of economic life due to its significant
influence on all commercial negotiations at a high level. It has a unique market with a huge potential. Moreover, the unique Euro currency was introduced in most EU countries and it is one of the strongest currencies worldwide. However, the Currency Union is not an optimal one as not all member states fulfill the conditions of nominal, but especially real convergence, its project being more than a political one. The convergence followed was more than a nominal one reported to public finances, inflation, interest rate, and not the real one which would have triggered the avoidance of asymmetric shocks and the reduction of structural differences. EU is, at the same time, a net investor in many countries of the world and attracts, in its turn, important investments. Through them, EU holds a stable place among the superpowers of world economy. Yet, to face the challenges in a world of globalization, the European model needs adjusting. EU has become a world power pole, but in this context, a series of changes are required for its status to consolidate.

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ABSTRACT:

Traditional factors influencing the investment held and still hold an important place in the economic literature. However, studies have shown that FDI is made other than those established theoretical patterns. Multinational corporations policy makers take into account aspects of behavioral and psychological profile of the population in the countries of destination of their own capital flows. Thus, in relation to their own experience in international business, investors have a greater or lesser aversion to develop projects in countries with greater cultural distance. Romania has many particularities related to the cultural dimension which induces different behaviours of international investors. This paper aims at analyzing the cultural factor, its particularity for Romania, the quantification of its inclusion in the model of analysis and impact assessment of this factor through econometric models.

Key words: foreign direct investment, cultural diversity, international business, international investors behavior,

JEL Classification: F20, F21, F23, Z10

1. INTRODUCTION

Among the aspects of interest related to the determinants of foreign direct investment, one of utmost importance is represented by “the cultural distance” between the countries of the world. By its nature, the approach is much broader than it would enable us to understand, this concept including issues connected with multiculturalism, individualism or collectivism, with the acceptance of the idea that power is distributed unevenly at the level of the society, with society’s dimension of masculinity or feminity or with the degree of acceptance of uncertainty and of the risk towards individuals. Given these theoretical approaches and highlighting the features of the Romanian people regarding this cultural dimension, we believe that the inclusion of this variable among the determinants of investment and the checking of this hypothesis through some qualitative and quantitative evaluations represent an important field of analysis which may lead to important conclusions.

2. LITERATURE REVIEW

The theoretical bases of the analysis related to foreign direct investment come from the second half of the 20th century when authors such as Arahoni Yair (1966) or Johanson and Vahl (1977) indicate the fact that the makers of foreign direct investment consider that important aspects of human resources can have a major impact on business.
With a view to benefiting from the advantages of internationalization, the companies are involved in joint ventures foreign business, foreign procurement or start-ups. To this end, as stated in a study published by Johanson and Vahl (1977), the enterprises “step into the unknown”, in the hope of finding “cheaper manpower, they will use to their own advantage the new technologies, will enter the foreign markets of products and will finally become true multinationals” (Barkema et al, 1996, p 151).

Given that a company wants to expand its business abroad, arises the problem of the cultural barriers it faces. In this context, researchers have wondered what is their influence on the decision of internationalization but also on the impact concerning the type of business to be developed (joint venture, procurement, etc.). Studies such as those of Kogut and Singh (1988), Agarwall and Ramaswami (1992) tried to answer questions about how cultural diversity influences business as well as the impact it has on international business.

The study of the types of cultural barriers between countries was also the subject of study for some economists (Barkema, Bell and Pennings, 1996). They looked at how the different types of cultural barriers restrict multinationals, how these barriers (once developed the business) can be overcome by the learning process and the extent to which, through experience and learning, companies can develop models of action that can influence the success of the future actions of companies.

In researching such issues, some researchers have purely economic approaches (Dunning 1988), while others lean on political science (Ruygrok and van Tulder 1993), some of them adopt a static framework of analysis (Dunning 1988, Hennart 1982, Hill, Hwang and Kim 1990), while others address independence as a process (Barkema, Bell and Pennings, 1996).

The analysis models of international expansion had different approaches as well: a model based on the product’s life cycle and on the cost factor that gives force to the process of international expansion (Vernon, 1979); a model based on the theory of the companies’ behaviour which reveals a certain number of steps in the internationalization process (Cyert and March 1963, Rogers 1983, Andersen 1993; and the Uppsala model, that of the stages, which also fits the theory of the companies’ behaviour (Aharoni, 1966, Cyert and March 1963). The latter model “emphasizes the familiarity with the national cultures of other peoples considered as the driving force behind the internationalization process of companies” (Barkema, Bell and Pennings -1996, page 151).

Businesses should minimize the risks of internationalization, for which fact managers resort to “small steps” in which they should turn to profit all the past experiences as a basis for the transition to the next steps. The model of the Uppsala stages highlights four such stages: internal production and marketing, internationalization through export with the help of agent companies, the creation of their own branches for product sales, the location of the work abroad. The last two steps can have as alternatives licensing and joint ventures given that cultural barriers do not enable internationalization through their own branches.

The growing foreign presence can be attributed to firms acquiring knowledge about the markets of different countries, “experiential knowledge”. This knowledge is acquired even from the early stages of internationalization, being capitalized and used in the next stages.

Some works (Benito and Gripsrud, 1992, Johanson and Wiedersheim-Paul, 1975) examined the question of “psychological distance” which means differences in terms of the factors that prevent or disrupt the flow of information between firms and the nations of the states in which they wish to develop business. These factors are linguistic, institutional, cultural and political. “Psychological distance” is often associated with differences between countries and regions.

This cultural distance is considered to be symmetric, so that, regardless of the direction of the analysis, from the country receiving investment or from the issuing country, the result would
be the same (Shenkar, 2001). However, there are also contrary approaches related to the non-convergence of results given that the assessment would be made counterclockwise (Shenkar and Li, 1999), but they remained sterile in terms of their practical application.

In a study conducted to examine the impact of physical distances between countries as a determinant of foreign direct investment (Larimo, 1993), the author concludes that cultural differences have a much greater impact on foreign direct investment than remoteness within which the countries are found in relation to one another.

3. THEORETICAL BACKGROUND

Therefore, as a consequence of learning and adaptation, multinational companies manage to go beyond the stage of business in neighbouring countries (with common borders) or have the same cultural profile and are also moving towards other countries where, however, depending on the cultural experience recorded and the existing cultural differences, may develop a higher or a lower investment volume or can develop this investment under a form of majority ownership or not. In other words, if multinationals are in the early stages of expansion and acquisition of knowledge about other cultures or nations, there is a chance that investment is made primarily in the joint ventures system. Nevertheless, if cultural distance is reduced either due to the specific characteristics of the countries involved in the process or to the acquisition of knowledge that is meant to reduce the risks related to the cohabitation of entrepreneurs in a different cultural environment, then great chances are that business is undertaken “in a personal capacity” with a majority or a full participation and with a start of the business even from scratch, as start-ups. However, the inclusion of some qualitative aspects of cultural type in the economic analyses of business internationalization, namely the achievement of foreign direct investment is a matter of great importance and impact on the findings reached.

To this end, Kogut and Singh's index is a variant for quantifying the cultural distances and at the same time for involving the non-economic factors in the analysis of foreign direct investment:

\[ CD_j = \sqrt[4]{\sum_{i=1}^{4} \left[ \left( I_{ij} - I_{IR} \right)^2 / V_i \right]} \]

where: CD represents the cultural distance between country j and the reference country R
I_{ij} represents the score of the i dimension for the analyzed country j
I_{IR} represents the score of the i dimension for the reference country R
V_i represents the variation of the i dimension for all the countries.

Therefore, at the basis of determining this index are four dimensions through which aspects related to the culture, beliefs, habits and customs of a people are quantified. The values of these dimensions have been determined by Geert Hofstede (Hofstede, 1997) for 93 countries throughout the world:

1. Power distance (power distance - PDI) that reflects how a country's population accepts that, within a society, there are differences in terms of power and influence. This indicator shows how members of a society accept naturally, without questions or concerns their place in the hierarchy of society.

2. Individualism versus Collectivism (IDV) expressing how members of a society are defined by “I” or “US”. By means of this indicator, the societies in which individuals do not expect anyone to get involved in their personal problems, being able to manage their own needs and their family’s needs are individualistic societies, with high values of this indicator.

3. Masculinity versus Femininity (MAS) that expresses, at the masculine pole, the propensity towards the challenge of the society’s individuals, the promotion of the stereotypes of
“heroes” and the reward for success. In contrast to this attitude, the inclination towards femininity is much more oriented towards cooperation, modesty and low levels of life quality.

4. Uncertainty avoidance (Uncertainty Avoidance - UAI), which expresses the extent to which individuals belonging to a culture are mentally prepared to accept the uncertainty and the risk. In fact, it is the attitude towards the future and the way people are prepared to accept the future as lot or as a scenario that could be influenced.

5. Long-term versus short-term orientation (long-term versus short-term orientation - LTO) expresses how the population of a country envisages the future. Companies which are oriented towards tight deadlines are more normative, have strong beliefs and observe the traditions, being less prone to long-term saving and investment. In societies with long-term orientation, individuals are a lot more willing to change their beliefs and adapt to new conditions. They are willing to save and invest having the confidence that they will achieve the desired results.

6. Indulgence versus restrictions (IVR) which involves that in the indulgent societies individuals are allowed to aspire to and enjoy the rewardings of life, without too many limits set to their rights, while in restrictive societies personal gratifications are excluded, being imposed mandatory rules to follow in society.

Geert Hofstede, professor of sociology and psychology, believes that the mental programming of individuals is based both on the visible practices, which are obvious in society and on its invisible values. Being influenced by these two dominants in society, the individual is affected by vectors such as symbols, heroes and rituals that help define its cultural profile. From this mental programming, the individual comes with a type of attitude that influences his behaviour and decisions. They have a major impact on business or labour relations that develop on the occasion of the initiation of some foreign direct investment and of the development of international business.

4. CULTURAL DIMENSION AND FOREIGN INVESTMENT

In his work “From the psychology of the Romanian people”, the sociologist Dumitru Drăghicescu appreciates with a deep mastery the fact that “the unity of consciousness, the correlation of the spiritual functions, the organization of the inner states that represent the unity of consciousness will be the inner mirror image of the way in which the historical and social life in which we take part develops. If the company's activity in which we reveal ourselves is sporadic, intermittent, anarchic, fragmented, so will be our soul, our character and mentality” (Draghicescu, 1995, page 5). This complex approach of the relationship society - individual defines very well, and over time, the impact of the cultural dimension on the activities in a country. While having a good understanding of the Romanian people and of the problems which its morale faces, given that he wrote his ideas in the early 20th century, Drăghicescu deemed that in the next period, the Romanian people would need “great historical figures” as “the architects of the Romanian soul” and “makers of our ethnic personality”. Romania's turbulent history of the last century as well as the impossibility to identify lately these “figures - heroes - models” for the Romanian people, have left a void in the cultural evolution of the Romanian people and have generated a set of problems with social, economic and psychological impact on the basis of which Dorin Bode, taking the pulse of the Romanians’ general view, thus summarizes the distinctive features of the individuals belonging to this people:

- perfectionism and high personal standards, generating low tolerance of mistakes;
- criticism of everything that surrounds us and a constant relation to perfection, this aspect being connected with the distinctive feature of the Romanian people which involves avoiding risky situations and rejecting a realistic thinking;
- pessimism and immediate prospects with an impact on the orientation towards the future, on the projects for long-term saving and investment;
- poor interpersonal communication through which problems occur both concerning the repression of feelings and normal emotions (low level of the indulgence indicator IVR versus restrictions) as well as concerning the difficulties in communicating with other cultures (e.g. the Western or Asian cultures in the conduct of international affairs);
- the tendency to consider, feel and interpret things in black and white, to “be diheartened” in difficult times or to “become exalted” in favourable moments. In addition, the search for some explanations for the personal failures leads to the social and organizational interpretation of reality as a result of the action of some occult forces.
- the need to be the boss, not in order to take responsibilities but to be a “manager”, is regarded as a good thing by its nature.
- skepticism towards theory, blaming it and its values, remaining in the corset of personal experiences or of those around, with a negative impact on growth and development;
- passivity and inclination towards non-involvement, this trend towards “femininity” from the perspective of the MAS indicator, a limitation to poor living conditions and the non-involvement in projects that could bring about results with consistent remuneration;
- developed family spirit, placing in the foreground personal life to the detriment of professional life;
- sharp spirit of ownership, with the limitation in obtaining and managing properties, regardless of their actual impact on personal life;
- humiliation and fear, a strong manifestation of PDI indicator (power distance), an acceptance of the lower position and a repression of personal views and opinions due to lack of courage;
- primary emotions and hypersensitivity, putting to the forefront some basic pleasures like “food and drink” and the constant relation to these “values”;
- the hunger for praise, a characteristic which brings about high levels of “collectivism” indicator and certainly a tendency to get community approval;
- creativity expressed through improvisation which, most often has negative effects due to the continuation of temporary solutions (“it can also work this way”).

In his work “Mircea Eliade, necunoscutul”, Ioan Petru Culianu (1995) believes that the problem of the Romanian culture and civilization resides in its Orthodox and Byzantine characteristics that have the power to explain the inconsistencies with the Central and Western European society. In fact, the Orthodox religion is in contrast with the Protestant one which Max Weber (1930) considers as generating capitalism and values which are beneficial to society. However, Werner Sombart (2001) criticizes this argument accounting for the fact that Thomas Aquinas was the one who first promoted in the Catholic religion the rationalization of social life and of feelings. Consequently, the idea that some religions have a stronger impact on capitalist values is questionable.

These different critical approaches addressing the spirit and the culture of the Romanian people are meant to highlight those inconsistencies and communication inefficiencies with the cultures of the economically developed large countries. In this way is derived the hypothesis according to which, at the interstate level, there is a cultural variable as well, which will be quantified in our study under the form of cultural distances, which cannot be considered as having only residual effects in determining foreign direct investment. On the contrary, it is assumed that this variable can be successfully included in the models of analysis of foreign direct investment and that its effect is measurable and independent.

With regard to the Romanian culture and the explanatory potential of low investment attractiveness for multinationals compared to the policies and the incentives granted, public
analysts must consider these major differences from other cultures and strategically address the failures noticed through educational and cultural measures. This is not a loss of the national identity but its “riddance” of the negative influences of some internal or external circumstances which affected throughout the history the mentality and behaviour of the Romanian people.

Experience has shown that the analysis of the determinants of foreign direct investment can be achieved in a variety of forms and models. One of the models used in the analysis of the international economic activity is the gravity model. In a first form, it was called the gravity model of trade, being used to analyze the international trade flows.

Later, in literature, the model was also used to assess foreign direct investment flows, taking into account the fact that, according to several opinions on the product life cycle, they represent a natural evolution of the internationalization activity subsequent to exports. Furthermore, through the linearized character of the model, it is possible to include new factors related to the distances between countries but also to the differences between nations.

The gravity model, as presented in literature, describes to us foreign direct investment as a function of traditional factors (the level of the Gross Domestic Product per capita, the foreign trade - imports and / or exports, geographical distance, the number of people of the receiving country) but may be also included non-traditional factors such as the cultural distance between the countries involved in this process.

In the analysis that we are going to carry out, we will use a form of the model in which the flow of foreign direct investment depends on various factors as follows:

\[ ISD_{ij} = f(X_{ij}^1, ..., X_{ij}^n, Y_j, Z_{ij}) \]

where:
- \( ISD_{ij} \) is the flow of foreign direct investment from country \( i \) to country \( j \);
- \( X_{ij}^1, ..., X_{ij}^n \) represent the connection variables between the country of origin of foreign direct investment and the host country; these quantities have variable effects according to the correlation: country of origin - host country which is taken into consideration;
- \( Y_j \) represents variables of foreign direct investment related to the host country, having fixed effects, regardless of the country of origin of the companies investing in a certain country;
- \( Z_{ij} \) represents the distance variable which quantifies in an indirect way

The chosen model to assess determinants of foreign direct investment in our analysis is a bilateral gravity type. The reasons behind the choice of this model are the following:
- The possibility of the concrete analysis of foreign direct investment flows between different countries; many of the models used in empirical studies examine foreign direct investment received by a country as a whole, regardless of the country of origin. We believe that a bilateral analysis can bring out better the influence of some factors specific to each country, irrespective of its position in the investment relationship.
- Since an assessment of the impact of cultural differences between countries is intended, the use of the gravity model has the capacity to highlight the bilateral relationship between the indicators specific to the nation of the country of origin of investment and those of the nation of the recipient country.
- The analysis of a certain group of countries (in our case, the analysis conducted on a number of countries in Central and Eastern Europe) allows the assessment of a certain group of stimuli that influence the investment decision of various countries for a certain part of the world.

The definition of model variables
The variables used in the gravity model, chosen according to their significance for the models will be the following:

1. Foreign direct investment stocks, symbolized as ISDij, representing the amount of investment from country i and materialized in country j for the year 2010. The methodology used in determining this endogenous variable is specific to OECD, being denominated in U.S. dollars and synthesized from the output flows of each country issuing foreign direct investment. (…)

2. The IMPij variable represents the volume of imports into country j (FDI receiver) from country i (the country from which investment comes). The variable is also denominated in USD, the data being taken from statistics for the 2010 Trade Competitiveness Map.

3. The DSij variable represents the difference between the level of the average monthly salary in country i (issuing FDI) and the average monthly salary in country j (FDI receiver), also denominated in U.S. dollars for the year 2010.

4. PIBpci represents the GDP indicator per capita, denominated in U.S. dollars according to purchasing power parity in 2010 in the FDI issuing country. The data source is represented by the Trading Economics statistics (Trading Economics, n.d.), which are available on the official website of this organization.

5. PIBpci represents the GDP indicator per capita, denominated in U.S. dollars according to purchasing power parity in 2010 in the FDI issuing country. The data source is also represented by the Trading Economics statistics (Trading Economics, n.d.), which are available on the official website of this organization.

6. DCij is the cultural distance between country i and country j calculated according to the Kogut and Singh index methodology. The basis of determining such variables are several dimensions by means of which the aspects of culture, beliefs, habits and customs of a people (Geert Hofstede, 1997) are included in the analysis of the cultural distance variable:
   1. Power distance (power distance - PDI).
   2. Individualism versus Collectivism (IDV).
   3. Masculinity versus Femininity (MAS).
   4. Uncertainty avoidance (uncertainty avoidance - UAI).

   The calculated values of the DCij variable based on the four variables calculated above, taking into account the analyses carried out by Hoftstede on a total of 93 countries.

7. DISTij is the road distance (calculated using the distance calculator on the website Via Romania) between the capitals of the countries issuing investment and the countries j receiving Foreign Direct Investment, except for the United States, Canada and Japan, for which the calculated distances are those by air. This variable represents an approximation variable for transport costs in the case of international business.

The estimation of the model parameters

In order to estimate the model, the SPSS programme of statistical analysis was used, aiming at specifying the model and testing it with a view to analyzing hypotheses. The method used for estimation is that of least squares (OLS). Following the introduction of the explanatory variables and the start of the regression analysis, the following estimates were obtained:
Therefore, the estimated equation of the regression model is as follows:

$$\ln ISD_{ij} = -13.154 + 3.688 \times \ln PIB_{pici} - 1.293 \times \ln PIB_{pcij} + 0.578 \times \ln IMP_{ji} - 0.642 \times \ln DIST_{ij} - 0.284 \times \ln DC_{ij}$$

The values of the model coefficients have the following meaning:

a. The results obtained indicate the fact that the $DC_{ij}$ variable, the cultural distance between the country issuing investment and the one receiving it has a significant influence on foreign direct investment stocks. The significance of the coefficient of the $DC_{ij}$ variable with the value of 0.284 indicates that at a 1% increase in the distance between countries, foreign direct investment stocks decline on average by 0.284%, considering that the other independent variables maintain their constant influence. Of course, in terms of comparison with other variables of the model, cultural differences between countries have the least significant influence. However, given the nature of this variable and the evolution that it can have with time, this entitles us to believe that the results provided by this regression represent valuable information in the analysis and interpretation of foreign direct investment.

b. The influence of GDP per capita denominated in U.S. dollars according to the purchasing power parity in the country issuing foreign direct investment is also very important, and this is suggested by the 3.688 value of the coefficient of this variable. Thus, according to the model, while the influence of other variables in the model remains constant, at a 1% increase in GDP per capita (PPP), foreign direct investment stocks rise on average by 3.688%, considering as constant the influence of other independent variables. The explanation for this relation is justified by the high level of output in developed countries from which a part is used by multinational companies in order to expand by investing on the international market.

c. The influence of GDP per capita denominated in U.S. dollars according to the purchasing power parity in the country receiving foreign direct investment has a reverse effect on foreign direct investment, this being suggested by the value (-1.293) of the coefficient of this variable. A meaningful explanation for this situation may be related to the fact that a high value of GDP per capita can also be a high level of the salary which, for the investor is a negative factor.

d. The IMP variable, represented by imports in country $j$ (destination of foreign direct investment) from country $i$ (the origin of Foreign Direct Investment) has a positive impact on investment in this country, i.e., a 1% increase in imports brings about an increase with 0.578% of $ISD_{ij}$ investment. As far as investment and imports are complementary, this can have a dual explanation: on the one hand, it is possible that imports are made in areas of upstream activities in which they invest (e.g. the purchase of raw materials and subassemblies from the country from...
which investment comes in order to ensure production quality) or may suggest that the market is not fully covered in terms of products made by investors so that they consider imports as a barometer of the investment needs in these sectors.

e. The DIST$_i$ variable has a negative impact on investment, justifying the fact that, as the distances are greater, some investors are less interested in investing given that the Logistics sector will record higher costs. From the point of view of the model estimated by us, a 1% increase in distance results in a decrease of 0.642% of the foreign direct investment in the country.

The changes in the evolution and global positioning of countries in terms of development indicators require taking into consideration the trends of foreign direct investment location in different regions. At a global level, the traditional destinations of investment are changing more and more, which requires the analysis of the evanescence of investment destinations and the reconsideration of the way to attract them.

5. CONCLUSIONS

Although economic theory has addressed it as a complementary factor derived from the social and psychological area, the cultural dimension of nations occasions certain “preferences” for the companies in different countries. From the analyses conducted, we believe that this factor has the capacity to potentiate and cause deviations more or less to the effects of traditional variables on investment.

By means of the particularities of this research, we think that a number of arguments have been offered, being derived from the deductive reasoning or the empirical analyses, which may suggest some further research consistent with the analyses carried out so far. Due to the theoretical and empirical form of presentation, the results of this research can become elements of comparison for the results of other studies and can thus be exploited in order to clarify and analyze the concept of foreign direct investment.

The conclusions reached in this paper can represent the analysis and reference bases for subsequent assessments. Moreover, the makers of multinational companies, taking into account these results, can broaden their scope of analysis and can base their decisions according to better information.

The changes in the evolution and global positioning of countries in terms of development indicators, require taking into consideration the trends of foreign direct investment location in different regions. At a global level, the traditional destinations of investment are changing more and more, which requires the analysis of the evanescence of investment destinations and the reconsideration of the way to attract them. Although economic theory has addressed it as a complementary factor derived from the social and psychological area, the cultural dimension of nations occasions certain “preferences” for the companies in different countries. From the analyses conducted, we believe that this factor has the capacity to potentiate and cause deviations more or less to the effects of traditional variables on investment.

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REFERENCES


THE ROLE OF THE BUDGETARY SYSTEM IN ACHIEVING ENTERPRISE PERFORMANCE

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ABSTRACT:
The long-term existence of an enterprise can only be assured by achieving of the performance. In the current economic climate, the companies pay more attention to effective management of resources and use for this purpose different management tools of performance. Along with material and financial resources necessary to productive activities, the people in an organization represent more than a source of cost or consumption. Their systems of needs and values, along with degrees of motivation and satisfaction determine individual and organizational performance. This is why the managers are tasked to reconcile and correlate the economic performance of the organization with the skills and capabilities of the employees. Flexible approach to business organization and permanent training of the human resources are the ingredients of success of an enterprise that aims to adapt to the current business environment changes.

Key words: performance, budget, resources, motivation, learning

JEL Classification: M19, M41

1. INTRODUCTION

The performances of the organizations are the result of mobilizing resources they have, primarily of the human resources. In this context and to face an increasingly fierce competition environment, managers explore all methods for flexibility and adaptation to internal and external requirements of the organization.

In this paper we propose highlighting the features of the budgetary process and its role in achieving performance within organizations. Moreover, the study shows the importance of the employee motivation and link between motivation, learning and performance.

The paper highlights the importance of the relationship between strategy, resources and motivation, through the budgetary process in the context of a stable environment and in the context of crisis. The study shows that the alignment of organizational objectives with those of employees is an important driver in improving the productivity and growth of the entire company.

In the first part of the paper are presented the concepts and the utility of the budgets as performance management tools. How the instrument is used and the functions assigned to it vary from one organization to another due to influence factors inside and outside the organization: strategy, organizational structure, employee motivation, technology, external environment.

In the second part of the paper, we highlighted the role that employee motivation has in achieving the objectives of the organization. We affirm strongly that motivating staff to achieve organization's objectives can only be performed by a set of concerted policies and actions, both financial and non-financial that meets the aspirations of employees, their needs for personal development, esteem and self-realization.

At the end of the paper we have opened the door for a new direction of research: the importance of continuous professional training and of organizational learning. Through the
process of the continuous professional development that permanently ensures a high level of competence and creativity embodied in inventions and innovations, the human resource of the company develops and perfects itself and contributes to the evolution of the organization. On the other hand the organization, through the culture that it develops, stimulates the necessary flexibility of the change that it anticipates according to the future requirements of the internal environment and the external one.

The subject approached in our work was the object of numerous research reflected in academic articles, in professional journals, in accounting and management control books. Existing studies support our demarche and are summarized in the specialized literature section.

2. LITERATURE REVIEW

Numerous studies in various fields such as accounting, management, sociology, psychology, education have analyzed the connection between different aspects related to the life of the organization, performance, motivation and learning. Defining the objectives of the organization, establishing the performance criteria of the employees, evaluating the performance in relation to them, maximizing the learning and development process contribute to the success of the people and organization. Setting of clear and measurable objectives for employees and arising from the strategic objectives of the organization are in the ten top practices of successful companies.

The companies consider financial forecast as the main activity of planning within the enterprise (Vintila, 2004), an effective tool in the fight for survival, which acts to eliminate, if possible, random phenomena. The companies set their goals to such an extent that if they are achieved, enabling performance improvement. It becomes necessary the development of projections included in the budget, which are used by companies as a performance management tool.

The word “budget” is taken from English, but it seems that its origins are found in old French, where “budget” (petite bourse) represents a small market, a sum of money, always insufficient. The budgeting system appeared in the 1920 -1930 in USA (Du Pont and General Motors), then in France (Saint Gobain and EDF) and Germany (Siemens). At the basis of the spread of the budgetary practice have stayed several reasons: a way of rationing the money (that entered first in families and local communities, and then entered the life of the companies), covering a period of stability and growth, decentralization of organizations that compel the use of connection tools and necessity that involves using more carefully of resources scarcity (Albu and Albu, 2003). In time, the budget became the most famous instrument of the first half of the twentieth century (Weber and Linder, 2005). In the understanding of Merchant (1981), a budgetary system is a combination of information flow, administrative processes and procedures, it is also part of the short-term planning and control system.

Many authors show that the role of the personnel and of the learning processes is essential in the context of the strategy developed by companies (Savall and Zardet, 2001; Venkatraman and Subramaniam, 2002). Human resource policy tends to be of paramount importance within organization. Relation between strategy and human resources gets new values and the strategic capabilities are developed through knowledge contained in people. Also, now it is identified a strong link between employee capabilities and firm performance (Venkatraman and Subramaniam, 2002).
3. PAPER CONTENT

3.1 Enterprise budgets - performance management tools

Two of the concepts that dominate modern management of organizations are the value and the performance. To measure the performance is to assess the value and to know the causes of the value means to “explain” the performance (Albu and Albu, 2003).

The company sets its goals to such an extent that if they are achieved, enabling performance improvement. It becomes necessary the development of enciphered projections in the budget, which are now used as tools of performance management.

The forecast is a special feature of the process of management and decision-making, because it establishes the actions to be taken in the future and that will cover the entire activity of the company. The financial projections are materialized in a company's financial plan which is a complex set of provisions deducted from the firm's strategy and adapted to market conditions, developed and put into practice by top management, which seeks to materialize the forecasts of market competition, internal factors, the economic environment etc. (Costache, 2003). It is a response given to the inherent uncertainty in the enterprise operation. Therefore, the companies consider financial forecast as the main planning activity within the enterprise (Vintila, 2004), an effective tool in the fight for survival, which acts to eliminate, if possible, random phenomena. If this instrument is missing, the enterprise risks to pass from working state to that of reaction at the influence factors.

The first step in forecasting is to prepare strategic plans treating the global objectives on long term (5-10 years) and operational plans detailing the overall objectives in medium term (2-5 years). Each company has a certain strategic objective aimed at strengthening the business (capital growth, increasing profits, maintaining market share, achieving leadership position in a certain area, etc.) and which will be implemented in the strategic and operational plans.

The second step is the development of budgets, which is done by detailing the strategic plans in short term plans (usually one year) for enterprise's activities. The process of budgets drawing up is one of the most important in the prediction and control scheme within the enterprise, by which can be find the right way to achieve the proposed objectives and deploy profitable economic activities.

The relationship between strategy and budget can be presented as:

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<th>Strategic plans</th>
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<td>(Long-term) 5 - 10 years</td>
<td>(Medium-term) 2 - 5 years</td>
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Like all management tools appeared in the early twentieth century, the duo planning - budgeting is based on the environmental stability and involves optimizing internal flows. In a predictable environment the budgeting allows optimize the production, extends predictability inside and simplifies resource allocation mechanisms (Berland, 2000).

As defined by the Institute of Certified Accountants in the accounting and management field of the U.S., the budget is “a quantitatively expressed plan in monetary terms, prepared and approved for a time, which usually indicates the size of the income planned to be reached and / or expenses to be incurred during this period and the capital necessary to achieve the purpose”.

The budgetary system of an organization is a system of short-term forecast management, which performs a technical dimension - the accounting and statistical aspect of budgets and budgetary control - and a sociological and psychological dimension - motivation system that cause staff to work towards the sense determined by budgets. To ensure that a budgetary system is functional, the following conditions must be satisfied (Malo and Mathe, 2000): (1) to translate business strategy, (2) to comply with the organizational structure, (3) to predict both objectives
and means and resources, (4) to provide “a priori” control, (5) to ensure tracking achievements and (6) to involve “a posteriori” verification.

The budgeting process requires the development of three major distinct tasks but equally important: preparing of budgets, drafting of budgets and budgetary control. According to many researches, most of the budgets which do not reach their goals were not properly planned and monitored. Often, organizations go to step of drafting the budget without previous training and later, in the budgetary cycle, have no reference points.

In the preparation stage of budgets it is pursued to establish a strategy and identify factors of influence. General direction of an organization is transmitted through its strategic objectives. Since the annual budget is a part of the firm's strategic plan and reflects a certain stage in order to achieve the settled objective, it is necessary to identify hypotheses that will be carefully tracked and will take into account influences of environment in which the organization operates.

The environmental analysis is done routed through a specific marketing tool, SWOT analysis, which will highlight the internal hard points (S = strengths) and weaknesses (W = Weaknesses), also external opportunities (O = opportunities) and external threats (T = threats). The analysis of internal and external environmental factors should guide the strategy selected by managers in order to fruition of the internal hard points and of the external opportunities while avoiding the external threats and internal weak points. The success in business depends on the way that management knows how to respond to environmental factors, uncertainty and instability in the strategic planning process. They have to capitalize on the numerous strengths and take advantage of existing opportunities.

**SWOT Analysis**

<table>
<thead>
<tr>
<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
</tr>
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<tbody>
<tr>
<td>strong image</td>
<td>low level of technology</td>
</tr>
<tr>
<td>the involvement of the management team</td>
<td>limited resources</td>
</tr>
<tr>
<td>positive attributes of staff (knowledge, education, contacts, reputation)</td>
<td>financial difficulties / lack of liquidity</td>
</tr>
<tr>
<td>low cost of labor force</td>
<td>low involvement of the management team</td>
</tr>
<tr>
<td>cheap labour</td>
<td>inexperience</td>
</tr>
<tr>
<td>equipment</td>
<td>unmotivated / large staff</td>
</tr>
<tr>
<td>devoted customers</td>
<td>reduced distribution network</td>
</tr>
<tr>
<td>high volume of sales</td>
<td>difficulty in changing old mentalities</td>
</tr>
<tr>
<td>existing distribution channels</td>
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<thead>
<tr>
<th><strong>OPPORTUNITIES</strong></th>
<th><strong>THREATS</strong></th>
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<tbody>
<tr>
<td>a new distribution network</td>
<td>financial crisis</td>
</tr>
<tr>
<td>new investors</td>
<td>inertia of shareholders</td>
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<tr>
<td>new markets</td>
<td>subordination towards suppliers</td>
</tr>
<tr>
<td>export growth</td>
<td>foreign competition</td>
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<td>unstable legal and institutional framework</td>
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Along with environmental determining factors, in the budgetary process will be used all existing tools of information as systems of measurement, control and informational support.

**Drafting budgets** is another step in the budgetary process, through which is performed the allocation of resources per responsibility centers. First are prepared the following: shopping budget, investment budget, purchasing budget, production budget, cash budget and overheads.
budget. Subsequently are prepared synthesis documents: treasury budget, forecast effects account and forecast balance sheet. Between the budgets developed by the company there is a strong connection and viewed in their entirety, they must form a coherent picture. If a budget is influenced by a certain factor, the effect of its influence spreads on other budgets.

**Budgetary control.** The budgetary process does not end with approval of the budgets. Periodically, during the year, the provisions of the budgets are compared with the actual budgets. The control technique leads to the analysis of observed deviations in order to take required corrective decisions.

In terms of budgeting forms, several authors (Hope si Fraser, 2000; Berland, 2002; Weber and Linder, 2005) talk about *Budgeting*(1), *Better Budgeting*(2) and *Beyond Budgeting*(3).

1) *Traditional budgeting* is the annual process of planning and resource allocation.
2) *Improved budgeting (better budgeting)* implies renewal and modernization of budgets through improving the entire process of control. The specific techniques are the following:
   - Zero Base Budgeting - all passed data are ignored in the budget construction process
   - Activity-Based Budgeting - is based on the ABC method of cost calculation and is included in the strategic planning process
   - Value Base Budgeting - involves outward orientation and value analysis
   - Rolling Budgets - through which businesses can cope with unforeseen changes, without affecting the planned performances

3) *Beyond Budgeting* is a method that involves giving up the traditional budgeting and introduces some tools such as Balanced Scorecard and Benchmarking.

In recent years traditional budgets have been subject to several critics, mainly targeting its inability to adapt in conditions of uncertainty. These criticisms have been initiated by a group of American researchers from CAM-I (Computer Aided Manufacturing International), led by Hope and Fraser, who proposed the Beyond Budgeting method. The process has three phases (Berland, 2002): development of the strategy, development of action plans consistent with the strategy and sliding forecasts for a year.

The traditional budgeting stages and the Beyond Budgeting stages can be presented comparatively as follows (Wegman, 2003):
Typically, the budgets of enterprise are prepared with almost a year prior to the effective deployment of the operating cycle. During this time, changes may occur and the managers are forced to take them into account, even if these are not included in the initial budget. Therefore, the budgets must describe the outline of financial developments and must provide a leeway within their provisions and the opportunity to be reviewed.

Many researches in the field show the importance of the traditional budgeting process proven practically in times of stability. But in crisis, budgets have a reduced capacity to play attributed traditional roles: setting objectives, allocating resources and motivation. This is explained mainly by the high degree of uncertainty which coerces the budgets to deviate from their goals. In the conception of many authors, in a turbulent environment, the budget is used as a reflection tool to understand the environment (Gervais, 2009). This turbulent environment results from the uncertainty regarding behavior of the actors (the unpredictability of their actions) and from the dynamic complexity of the environment in which they operate (Gervais, 2009).

Despite the turbulent context, using the budgetary tool as a vector in order to achieve performance the organizations choose to pay continuous attention to dynamic relationship between objectives and resources, not only during the preparation of the budget, but throughout the budget year. The instability compels the using of the rolling budgets or even practices of management without budget. In the context of crisis, the budgets play a new economic role: to meet the information needs of investors (Bescos, 2011).

### 3.2 Motivating staff in the budget execution. Competencies, responsibilities, rewards

The success or the failure of the budgetary activity depends largely on the ability of the company and its managers to develop a policy regarding the human resources and the enterprise culture, compatible with logic of budgeting, enabling the best possible integration of staff and achieving performance. From the top management to the last hierarchical level of the company, in the budgetary process must be involved actively and honestly everyone.

Furthermore one of the necessary conditions to transform the budget into a tool of leadership is that of determining competences and accountabilities for the budget execution, at the level of each responsibility center, through individual performance plans. From the analysis of the phases of goals setting and budgeting, it results that budgetary management are an instrument of decentralization and delegation of responsibility within the company structure, which involves dissemination the management spirit from the top management to the bottom of the hierarchy, thus creating a true system of participatory management by objectives.

The budgets must be instruments of dialogue, learning and control. Advocating for budget management model based on stakeholder involvement, enabling the organization to better achieve its objectives and the individual feels more responsible and freer, so more efficient, P. Bouloc, the parent of the technique of management by objectives, shows what are advantages of the participating in decisions and delegating of responsibilities.

The benefits from participation in decisions are: decisions more adapted, a better motivation for execution, better information of people, a greater degree of flexibility in adopting solutions, a more responsible conduit, so more effectively, improving work in group, developing the spirit of team, developing a sense of solidarity, calling on imagination.

The advantages of delegating the responsibilities are: development of initiative, increasing autonomy and independence, increasing competition between groups and alleviating competition between individuals, simplifying communication, facilitating the human contact, clarifying the dependence and the subordination in relation to the superior hierarchical levels.

By decentralizing the management and by trust invested in responsibility centers, the managers aim at motivating staff to accomplish individual and team goals, to fulfill its
responsibilities, outcomes measurement, appreciation and reward. Experts have often argued that the dedication of employees is essential in achieving the goals of company; employees need to feel they are able to achieve them. Thus, it is important for employees to participate in the process of setting objectives, to accept and be motivated to internalize them. It is also important for managers to express their desire to assist employees in achieving these goals by providing the necessary resources, guidance and removing obstacles.

The proper motivation of organization’s employees who are dedicated to increasing the performance and competitiveness of the organization is realized through a reward system designed in accordance with the strategy and the specific policies. The reward system must motivate employees so they adopt the behavior which is desired by the organization. Often reduced to pecuniary offer (wage increases and bonuses), this form of reward is not sufficient to create a well-motivated workforce.

It is understood, therefore, that the staff motivation can only be performed by a set of concerted policies and actions, both financial and non-financial, that meets the aspirations of employees, their needs for individual development, assessment and self-realization (promotion, a wider area of responsibilities, greater participation and consideration, more work means, etc.).

The employees can be rewarded with two types of rewards: extrinsic rewards and intrinsic rewards (Hilton, 2003). The intrinsic rewards come from the individual itself and these are manifested in the form of satisfactions achieved through the work done by own forces (forms of self-appreciation). The extrinsic rewards (money or moral) are those assigned to a third person (partners, organizations) and are constituted by money, awards, titles, honors, recognition of professional ability.

To ensure that the reward is truly motivational one, there must be some contributions (Coleman, 1991):

✓ Employees really want to be rewarded, otherwise reward losing its proper importance;
✓ Employees have clear consciousness of the fact that their supplementary effort will further enhance the performance, which will determine their reward;
✓ The link between supplementary effort, performance improvement and reward must be clear, direct and equitable.

Changes in the economic, social and cultural area, as well as accelerating competition in the business world creates pressure on organizations to constantly adapt, leading to the need for a process of learning, which is the premise for a sustainable organizational performance (Schaffer, Steiners, 2004).

On theoretical plane were developed new theoretical complementary concepts, which can fundamentally influence the organizational performance: management of knowledge, organizational learning, organization which learn, unremitting professional education. In Romania, the theory and practice of management is just at the start of adopting these modern concepts, but the interest shown in harnessing the benefits arising from these concepts is increasing.

4. CONCLUSIONS/DISCUSSIONS AND IMPLICATIONS

In conclusion, we can say that the budgetary practices can be used in various ways in organizations and the functions performed by budgets support more or less the strategy depending on their capacity to adapt.

As a short term pilot scheme, the budgetary management provides the following:

● Consistency of the management activity because the budget network covers all aspects of enterprise: commercial, productive, financially. It allows strengthening of the actions inserted in the general budget and presentation of the synthesis forecast documents.
• Sizing and control of the performance based on revenue-expenditure relationship that allows test several budgetary hypotheses. This point is becoming increasingly important due to the uncertainty and complexity of current markets.

• Establishing of competencies, accountabilities and incentives because the management of the budgets involves a decentralization of power and an increase of confidence invested in the managers of responsibility centers.

The same time the role of the employees involved in the formulation and implementation of the strategy is essential. They will accept this role only if they feel able, for example if they will be masters of their own value, knowledge and opportunities they have and if they will feel motivated by the results of their work and by the beneficial effects that will be generated. In such circumstances, employees will become dedicated in achieving organizational objectives and will not be controlled in the classic manner, by oversight or by the punishment and reward, but rather by increasing the intrinsic motivation versus extrinsic motivation. The strategy is seen as the work of a group, not one of a single individual.

Motivating staff to achieve the performance and the productivity growth cannot be obtained by a single method applicable in all companies or for all employees. The companies motivate their employees differently, so the correct solution is to develop their own motivational strategy. In economic terms, the people quality can make the difference between two competing companies.

The approach that the author of this paper have done is theoretical and he recognizes the need for some case studies to understand the complexity of situations that involve the use of budgets, could thus overcome the barrier between the academic discourse and the practice, which would be beneficial to both sides. Other lines of research could be the analysis of the behavior of budget users or the effect of organizational learning on enterprise performances.

REFERENCES

CREATIVITY AND INNOVATION MANAGEMENT, VECTOR OF COMPETITIVE ADVANTAGE IN KNOWLEDGE-BASED ECONOMY

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ABSTRACT:
In the knowledge-based economy, creativity and innovation are vectors of sustainable competitive advantage, which consists of constantly providing a product or service distinguished, by its features, from products and services offered by competitors. This paper outlines a managerial perspective of creativity and innovation, while emphasizing the intra-organizational and contextual factors that can foster and develop innovative creative potential of human resources in modern companies. In the final section of the work are delimited the defining features of the innovative organization as a knowledge-based organization, specialized in change. Also, there are several suggestions regarding courses of action recommended for managers, so that the organizations that they lead may gain competitive advantage by fostering innovative and creative processes.

Key words: knowledge-based economy, creativity, innovation, creativity and innovation management, competitive advantage

JEL Classification: D83, L21, L25, O31, O32.

1. INTRODUCTION

Today’s world relies on fast innovation. Creative thinking is the key of success in a global economy, a fact which was admitted by the EU a long time ago. Creativity may be considered the supreme innovation source that transforms creative ideas into products and services. Creativity and innovation cannot create sustainable economies outside the observance of cultural diversity, which is a source of creativity and innovation itself (European Commission, 2009a). Innovation forms an integral part in the European economy revitalization plan, representing one of the seven initiatives comprised in the Europe 2020 Strategy (European Commission, 2010).

The projects undertaken by the European Commission in the campaign carried out under the slogan “Imagine. Create. Innovate.” envisaged the following major directions (European Commission, 2009b):
- cooperation between Member States in fields such as education, culture, businesses and employment;
- creating closer links between art, business, schools and universities;
- raising youth’s awareness with regard to entrepreneurship.
Innovation was one of the main topics approached at the 6th edition of the World Science Forum held at Rio de Janeiro on 24th-27th November 2013. Thus, the “Declaration of the World Science Forum” presents five recommendations, of which two refer to innovation activities (World Science Forum, 2013):

- training for reducing inequality and promoting sustainable science and innovation worldwide;
- ethical and responsible attitude in research and innovation.

Creativity and innovation are key elements of the modern economy, based on knowledge. According to the OECD, this new type of economy is based directly on the production, distribution and use of knowledge and information (OECD, 1996). Professor Ovidiu Nicolescu believes that the knowledge-based economy is characterized by the transformation of knowledge into raw material, capital, goods, essential production factors and by economic processes in which the generation, sale, purchase, storage, development, sharing and protection of knowledge become predominant and they are decisive conditions to obtain profit and to ensure economic sustainability. Among the coordinates defining the knowledge-based economy, having as their main pillars creativity and innovation, we remind the following: (Nicolescu, 2011):

- increased role of knowledge in all fields of human activity, due to the decisive impact on the functionality and performance of organizations;
- transforming knowledge into key production factor;
- the knowledge capital holding largest share in the economy of the intellectual capital of the organization;
- concentration of economic activities on the treatment of information, the production and accumulation of knowledge;
- grounding economic activities on intangible resources represented by the ideas, information, knowledge and skills of the human resources;
- increasing intellectualization of the work processes in general, and of the economic processes in particular (increasing weight of certain professions such as human resources trainers, researchers, communications specialists, managers, etc.);
- expanding production and commercialization of technologies;
- grounding the competitive advantages at all levels of economic aggregation mainly on knowledge.

In the current period, creativity and innovation are important sources of competitive advantage at national, organizational and individual level. Basically, the effectiveness of an organizational strategy is reflected in achieving competitive advantage which consists essentially in making a product or service that is distinguished, by its features, from the products and services offered by competitors. The strategic option chosen by the company is, in fact, the source of competitive advantage. Obtaining a sustainable competitive advantage is an essential condition to maintain organizations in the sphere of economic and social efficiency. Creativity and innovation are, in our opinion, vectors of sustainable competitive advantage.

A new product or service, an improved product or service, new technology or modernized technology, a new management method or a new organizational technique, of such nature as to improve processes within organizations, are the results of creative and innovative activities and, at the same time, sources of competitive advantage in a business environment ever more complex and more dynamic.

In the context of the internationalization of economic activities, the companies must obtain competitive advantages both at national and international level. Thus, M. Porter argues that there is a close link between national and international competitive advantage, which is explained by the connections established between the economies of various countries (Porter, 1990).
The coordinates that define the national economic environment significantly influence the obtaining by the companies of the competitive advantage. A dynamic and favorable, in terms of legislation, business environment determines the organizations to act quickly and effectively in competition with other companies, modernizing their technologies, continuously perfecting their management and offering products and services that meet the consumers’ growing exigencies.

2. CREATIVITY AND INNOVATION. MANAGERIAL PERSPECTIVE

Creativity and innovation represent essential factors ensuring the development and, implicitly, the success of a company in a competition environment ever more complex. The organizations’ innovation capacity is determined by the personnel’s creation force, the competence of the managerial team and the existence of mechanisms sustaining the application of new ideas, and respectively the transformation thereof in competitive products and services. The development of the human resources’ creation and innovation force is achieved through their proper recruitment, training and permanent improvement.

Creativity consists in the human resources’ capacity to identify new solutions to current issues, while innovation is the process through which an idea turns into utility and reaches the market. Consequently, the creation and innovation activities are in an interdependent relationship. Given the creative and innovative importance of the components within the context of knowledge-based economy, the presence within the company’s organizational structure of a department or compartment having as its mission the organization and development of the innovation activity is absolutely necessary. Moreover, the application of management methods and techniques within the creativity and innovation area is required. Due to the current technological development and the increase of funds allocated to research and innovation, the ratio between inspiration and effort for the achievement of a new product or service becomes ever smaller. Under such circumstances, the creativity and innovation management has to be oriented toward the transformation of ideas into products, services or combinations thereof.

The achievements of an organization may be grouped into three categories: regular, competitive and innovative. No idea shall be eliminated from the start. Even if it does not generate immediate effects, an idea may become a source for other ideas, applicable in the future. Creativity represents a complete set of ideas, behaviors, thinking styles, mental processes and results that may be assessed. A creative process involves three stages: collection and selection of information; combination and connection of ideas and concepts; validation of concepts. Such stages define a continuous cycle that may be represented graphically in the form of a spiral.

From the managerial viewpoint, innovation may be defined as a process involving a multitude of activities carried out by a lot of actors, from one or several organizations, in the course of new combinations of means and/or goals, aiming at the creation and/or adoption of new products and services, which are developed and/or carried out and/or implemented and/or transferred to partners from the old and/or new markets (Mudrak, Van Wagenberg and Wubben, 2005).

Managerial innovation presents a series of particularities from which we mention: its object is human activity; it has a multidisciplinary character, as it involves the settlement of issues of an economic, technical, human nature; it has an alert rhythm of moral wear and tear, as a consequence of its dependence on a big number of dynamic variables; it is the result of teamwork, due to the variety and complexity of the elements involved in the managerial processes.

The management of innovation has been defined by Sandrine Fernez-Walch and François Romon as “all of the actions carried out within an organization and the options made to favor the
emergence of innovation projects, to decide their release and to achieve the commercialization of the new products or implementation of new processes, in order to increase competitiveness” (Fernez-Walch and Romon, 2009). From the perspective of the final objective of the innovation process, the management of innovation activities may be approached as a process oriented toward the identification, organization and allocation of available resources – human, technical, economic – in order to acquire new knowledge, to generate the ideas which allow the obtaining of new or modernized products and services through the transfer of the best ideas in the area of production and commercialization (Nagîţ, 2001).

British Standard BS 7000-1:2008 represents a guideline in the field of innovation management, with special reference to the design and development of competitive products (British Standards Institution, 2008). The general principles of innovation management comprised in this standard are applicable both in economic organizations (companies) and in public organizations (public institutions and authorities) and non-profit organizations. The standard provides instructions structured on three main coordinates:

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

The management of creative and innovative activities has to be an important section of the development strategy of an organization, with clearly defined objectives, with well-outlined strategic options, with allocated resources and realistic initial, intermediary and final terms.

3. INNOVATION IN ORGANIZATIONS. CONTEXTUAL AND INTRA-ORGANIZATIONAL FACTORS

Among the contextual factors determining an organization to innovate, to promote the new in the area of the processes carried out and of the products and services provided, we remind (Plumb et al.):

- the imperative need to develop, or at least to maintain its position on the market (organizations have to respond to exigencies manifested by demand carriers by providing new or modernized products and services);
- market demand for production diversification (most companies turn to the strategic diversification option and rarely change their activity profile);
- alignment to the regulations imposed by the government, legislation, social requirements (in the recent years, the most frequently modified rules were those regarding environmental protection, with special reference to the products offered by the enterprises activating in the chemical, pharmaceutical and automobile industry);
- increase of prices for raw materials and energy (under the incidence of such reality, the organizations are pressed to modernize their technologies or to adopt other technologies and, at the same time, to redesign certain products existing in the nomenclature);
- intensification of the competition manifested on the market (to remain competitive, an organization has to take permanently into account the strategic actions of the competitors with regard to the technologies used, prices practiced, distribution channels chosen, marketing strategies and policies promoted, etc.).

There are also other contextual factors determining the organizations to be innovative, specifically:

- increase of the quality of the products and services offered on the market;
- appearance of new competitors on the market;
- internationalization of economic activities;
proliferation of symbolic equipment and products (cards, electronic trading, electronic banking, computer programs, etc.);
the new knowledge-based economy, in its entirety.

The intra-organizational factors favoring the creative and innovative processes are, essentially, the following:

- the organization’s development strategy (grounded on a strategic vision of the managerial team laying emphasis on the creative and innovative potential of the human resources, as the main vector for the obtaining of the sustainable competitive advantage);
- the type of management promoted (proactive, flexible and innovative management is desirable);
- the organization’s system of objectives (for example, entering a new market, development of a new product or service, diversification of products, specialization on certain products or on a single product, etc.);
- the organizational culture cultivating the best practices in the field of innovation developed, in time, within the company and, at the same time, taking over the best practices that proved their effectiveness and efficiency in other organizations;
- an organizational structure which is slim, flexible and, as much as possible, with a reduced number of hierarchical levels;
- the managerial instruments used within the organization (promotion of a mixture of managerial systems, methods and techniques, among which we mention the objective-based management, project-based management, product-based management, budget-based management, total quality management, profit center-based management, diagnosis method, dashboard, incentivisation of the creative and innovative potential of the human resources, etc.).

4. INNOVATIVE ORGANIZATION

The innovative organization is, par excellence, an organization based on knowledge and presents the following defining features:

- the main category of organizational resources is represented by the knowledge and competences held by the human resources;
- the processes and activities carried out are centered on the production, development, accumulation and transfer of knowledge;
- the knowledge and competences of the human resources are the main source of competitive advantage;
- it is a learning organization;
- it is a sustainable organization (generates performances on the long term; it is integrated in the economic, social and ecologic environment; capitalizes at a superior level all categories of resources at its disposal – human, material, financial, informational, knowledge, etc.; constantly creates competitive advantages for itself in relation to its competitors).

The innovative organization is an organization specialized in change that produces three categories of intangible values, which are useful in the initiation and efficient implementation of change projects (Kanter, 2006):

- concepts (ideas and technologies arising as a consequence to creative and innovative activities);
- competence (the capacity to satisfy the exigencies manifested by demand carriers to the largest possible extent);
connections (creation of strategic partnerships or alliances so as to expand the company’s influence area and to capitalize new business opportunities).

In the context of knowledge-based economy, the organizations have to become ever more innovative in order to maintain their competitiveness. For this purpose, we find that the managers have to carry out a series of actions, structured on the following main directions:

- substantiating, elaborating and adopting dynamic organizational policies in the main fields of activity (research and development, marketing, production, financial, human resources, etc.);
- creating and maintaining an organizational climate favorable for creative and innovative processes, in which the human resources have a high degree of freedom in thinking, expression and action;
- designing and implementing organizational structures that present flexibility;
- promoting progressive cultural models that cultivate the creative and innovative spirit of the human resources;
- conceiving and applying motivational mechanisms that sustain creative and innovative projects and operational excellence at the level of all hierarchical tiers;
- establishing interdepartmental groups and laboratories for experimentation of ideas;
- selecting, employing, motivating and promoting the human resources that initiate and develop creative and innovative projects;
- using methods and techniques to incentivize the human resources’ creativity, such as the Delphi technique, brainstorming, discovery matrix, the Delbecq method, synectics, Philips 66, etc.
- encouraging and supporting the human resources to participate in conferences and scientific symposia, fairs and exhibitions;
- involving the organizations in national and international research, development and innovation projects, alongside universities, research centers and institutes, public institutions and authorities, etc.

5. CONCLUSIONS

In the current period, creativity and innovation are important sources of competitive advantage at national, organizational and individual level. A new product or service, an improved product or service, new technology or modernized technology, a new management method or a new organizational technique, of such nature as to improve processes within organizations, are the results of creative and innovative activities and, at the same time, sources of competitive advantage in a business environment ever more complex and more dynamic.

Creativity consists in the human resources’ capacity to identify new solutions to current issues, while innovation is the process through which an idea turns into utility and reaches the market. The management of creative and innovative activities has to be an important section of the development strategy of an organization, with clearly defined objectives, with well-outlined strategic options, with allocated resources and realistic initial, intermediary and final terms.

The main contextual factors determining an organization to promote the new in the area of its processes, products and services are the imperative need to maintain or develop its position on the market, alignment to the regulations imposed by the government, legislation, social requirements, increase of prices for raw materials and energy, intensification of the competition manifested on the market, increase of the quality of the products and services offered on the market, appearance of new competitors on the market, internationalization of economic
activities, proliferation of symbolic equipment and products and the new knowledge-based economy, in its entirety.

Among the intra-organizational factors favoring the creative and innovative processes we remind the organization’s development strategy, the type of management promoted, the organization’s system of objectives, the organizational culture developing the best practices in the field of innovation, the company’s organizational structure and the managerial instruments used within the organization (objective-based management, project-based management, product-based management, total quality management, incentivisation of the creative and innovative potential of the human resources).

For the organizations to become more innovative, we find that their managers have to carry out a series of actions, centered on the following main coordinates: operating dynamic organizational strategies and policies, creating and maintaining an organizational climate favorable for creative and innovative processes, promoting progressive cultural models that cultivate the creative and innovative spirit of the human resources, conceiving and applying motivational mechanisms that sustain creative and innovative projects and operational excellence within the organization, establishing interdepartmental groups and laboratories for experimentation of ideas, involving the organizations in national and international research, development and innovation projects.

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CSR TYPE BEHAVIOUR: PRESENT AND FUNCTIONING IN A SMALL BUSINESS?

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ABSTRACT:
It is now widely accepted that many business practices have negative social and environmental side effect. Growing pressures are leading firms to give careful consideration to sustainable development and how it might contribute to the sustainability of competitive advantage and growth of the organisation.

Corporate social responsibility represents the responsibility of enterprises for their impacts on society. Although CSR is mainly discussed in the context of larger enterprises, it also is a strategic tool to enhance the competitiveness of SMEs. Essentially, the same principles hold true for companies large and small. SMEs have many of the same reasons for engaging in CSR that large companies have, both in avoiding downside risk and in exploiting upside opportunities. For most SMEs, the process by which they meet their social responsibility is likely to remain informal and intuitive.

In Romania, the field of CSR/SR is still at its early stages of development. Only few companies adopted a strategic approach, integrating CSR/SR into core business practices, informing company decisions and activities. The concept itself seems not too be well known by SMEs, although the respective practices appear to be well implemented and numerous. The methodological approach is literature review.

Key words: social corporate responsibility(CSR), small business, sustainable development

JEL Classification: A13, Q01

1. INTRODUCTION

In today’s fractured economic climate, business large and small must win the support of a sceptical public through honest methods that don’t involve manipulation.

With increased globalisation, oil and energy resources running out, outcry over child labour in supply chains and poor working conditions, corporate social responsibility has become a buzzword among the large corporations which have faced mass boycotts and protests from customers and suppliers alike. The face of business is changing. But ethical business isn’t just a model for large companies. (Rickman, 2010)

We are living in a world where processes accelerate as never before. Globalization and the high rhythm of innovation trigger many changes in the ways that economies and organizations structure themselves in order to obtain more benefits from the surrounding environment.
Globalization puts considerable pressure on organizations, regardless of their field of activity or size. Until recently, multinational corporations and other large companies were the most affected by the internationalization process. Today the SME sector is becoming a key player in international affairs. The search for better investment and profits motivate all companies to explore in a more aggressive way the opportunities offered by their environment and to expand their research at the global level (Burlea et al., 2012).

It is now widely accepted that many business practices have negative social and environmental side effects. Growing pressures are leading firms to give careful consideration to sustainable development and how it might contribute to the sustainability of competitive advantage and growth of the organisation.

The paper is structured into six chapters. The second chapter presents two important documents for sustainable development: Our common future and The future we want. The third chapter focuses on the concept of corporate social responsibility. The fourth chapter presents corporate social responsibility in SMEs. The fifth chapter presents the current situation in Romania of CSR in SMEs. The sixth chapter presents the conclusions of the paper.

2. OUR COMMON FUTURE AND THE FUTURE WE WANT

Let us regard things in perspective. There are moments in history when people all over the world seem to rise, saying that things are not going well, to request a change. The next statement from “Our common future report” by the World Commission on Environment and Development (WCED) in 1987 seems highly suggestive from this point of view: “Perhaps our most urgent task today is to persuade nations of the need to return to multilateralism. The challenge of reconstruction after the Second World War was the real motivating power behind the establishment of our post-war international economic system. The challenge of finding sustainable development paths ought to provide the impetus - indeed the imperative - for a renewed search for multilateral solutions and a restructured international economic system of cooperation. These challenges cut across the divides of national sovereignty, of limited strategies for economic gain, and of separated disciplines of science.” (http://www.un-documents.net/wced-ocf.htm).

Our Common Future placed environmental issues firmly on the political agenda; it aimed to discuss the environment and development as one single issue. An oft-quoted definition of sustainable development is defined in the report as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." In addition, key contributions of Our Common Future to the concept of sustainable development include the recognition that the many crises facing the planet are interlocking crises that are elements of a single crisis of the whole and of the vital need for the active participation of all sectors of society in consultation and decisions relating to sustainable development. (http://www.un-documents.net/ocf-ov.htm#1.2).

More recently, in 2012, the world's leaders met in Rio de Janeiro, and in an outcome entitled "The Future We Want," they agreed to pursue the necessary steps to advance the world towards a more sustainable future.

The Rio+20 conference was a milestone on the long road to sustainable development. It cemented support for the agreements reached at the 1992 Earth Summit and renewed the commitment of leaders to put their countries on a path towards improving people's lives today while preserving the planet for future generations. It was a bright moment of international cooperation at a time of profound national and global challenges. Leaders agreed to develop a new set of sustainable development goals, building upon the achievements of the Millennium
Development Goals (MDGs) that the UN launched 13 years ago and that have been so instrumental in the fight against poverty.

The new goals will guide all economies - developed and developing alike - on more sustainable development paths. That is why Rio+20 agreed that the goals should be universal and applicable to all countries. Sustainable development is not only about promoting economic and social well-being while protecting the environment, it is about working together, across the globe, to responsibly manage the earth's life support systems and ecosystems. (Wu Hongbo, 2013)

3. CORPORATE SOCIAL RESPONSIBILITY

CSR is a notion that includes a lot of activities that take place inside and outside of the organization. In Europe a variety of other related terms - Corporate Responsibility, Corporate Sustainability, Corporate Governance, Corporate Citizenship - exist, and often they are equated to CSR.

Social responsibility is defined by the European Commission as "a concept through which companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis."

Starting from this definition we can say that Corporate Social Responsibility is a whole business culture including business ethics, consumer rights, economic and social equity, technology which do not affect the environment, fair treatment of workers, transparent relations with public authorities, moral integrity and community investment.

In a nutshell, CSR it’s the act of “giving back” to the community through local projects or helpful working practice. It’s about being honest, being aware of the impact that business has on the environment and on the local and global community. (Rickman, 2010).

There is no one single formula for CSR in enterprises. Clearly, no one size fits all. Each and every enterprise needs to address the challenges it faces in accordance with its particular culture and circumstances. European Commission policy on CSR respects that diversity, and carefully avoids CSR becoming a source of prescriptive or unnecessary administrative burden for enterprises.

More and more companies are engaging seriously in CSR. Burke and Logsdon(1996) argue that there are sound business reasons for following a strong CSR policy and organizations can expect six strategic outcomes:

- Enhanced customer loyalty: Customers are increasingly drawn to brands with a strong CSR profile and CSR has become an element in the continuous process of trying to differentiate one company from another.
- Increased future purchases: A strong CSR brand can increase sales and customer loyalty by helping to differentiate it. On the other hand a bad CSR image can damage sales quite severely.
- Reduced operating costs: Many environmental initiatives can reduce costs – reducing waste and recycling, having better control of building temperatures or reducing use of agrochemicals.
- Improved new product development: Focus on CSR issues can lead to new product opportunities.
- Access to new markets: A strong CSR brand can create its own market niche for an organization.
- Productivity gains: Action to improve working conditions, lessen environmental impact or increase employee involvement in decision-making can improve productivity.
Cheryl Rickman(2010) states also that there is now a mountain of evidences that can boost their reputation, and even demand for services, by supporting local regeneration projects, sports teams or community centres. Ethical and socially responsible business, no matter what size, can also have a big impact on the quality and retention staff. Furthermore, being a responsible business reduces risk and can help to secure the future of a company in terms of achieving sustainable profits.

On the other hand, Burns(2011) says that CSR encourages a long-term view and reflects the concerns of the society in which the company is embedded. However, it also makes good business sense, providing market and brand opportunities that translate into bottom-line profits.

4. CORPORATE SOCIAL RESPONSIBILITY IN SMEs

Although CSR is mainly discussed in the context of larger enterprises, it also is a strategic tool to enhance the competitiveness of SMEs. Many small businesses might feel that CSR isn’t necessary for them to do business, but studies and reports show that customers of businesses large and small care about CSR. In addition, many large companies are requiring their vendors to meet certain greenhouse gas measurement requirements as the price of doing business. Many small businesses might find CSR thrust upon them sooner than they think. Big companies are more high profile and thus attract more media attention and they are particularly concerned to protect and enhance their reputations with the broader public as well as key stakeholders. They are also often better-resourced and more able to invest in CSR. However, CSR is important for small and medium-sized enterprises as well. Essentially, the same principles hold true for companies large and small.

N. Craig Smith(2013) states that size matters, not so much in whether an SME should engage in CSR but in relation to why and how? There are some important differences in motivations and in CSR practices, reflective of the characteristics of SMEs. Firstly, SMEs are generally managed by their owners, who are also often their founders. This can lead to profound differences in commitment to corporate purpose. Today’s founders of start-ups also often have some societal need in mind. This close involvement of owners and founders in SMEs means that commitment to purpose is much easier to engender than in a large, publicly-held corporation. Indeed, they may not call it CSR, but SMEs for this reason can be more socially responsible than their much larger counterparts. Secondly, with SMEs, it is more personal. Personal relationships are often key to their success. Internally, employees are likely to all know each other and be well-known to management. While it is not unknown for large companies to refer to employees as “family”, this term is more evident and arguably more authentic when used in the SME context. This may well mean that their employees are treated better than those in larger companies.

In “Guide on Integrating Social Responsibility Into Core Business” realized by Association of Romanian Exporters and Importers (ANEIR) in 2011, it shows that compared to large enterprises, SMEs start at a very good position when it comes to pursuing responsible business practice because:

- they have fewer employees; therefore it is easier to develop a corporate culture within the company;
- they have more flexible operations. With a less formal and bureaucratic organisational structure than large companies, SMEs can identify and respond to new ideas and market opportunities more easily and quickly, and achieve SR integration without as much administrative burden.
- many SMEs already conduct themselves in a socially responsible way, so integrating SR it is not about redefining what they are already doing, but about maximizing the impact
of the existing practice by seeing its business benefits, by integrating it into the core business and raising awareness among important internal and external audiences in a way that will help them become more competitive.

While size matters, not least in what gets done, SMEs have many of the same reasons for engaging in CSR that large companies have, both in avoiding downside risk and in exploiting upside opportunities. In many cases, they may also be more intrinsically, if not better motivated, to give CSR attention. (Smith, 2013)

5. CSR IN SME`s: CURRENT SITUATION IN ROMANIA

In Romania, the concept of corporate social responsibility emerged in the 1990s. In this area action was taken especially in the humanitarian directions, towards helpless categories.

In a recent report realized by „CSR for All” project it shows the following: in Romania, the field of CSR/SR is still at its early stages of development. Only few companies adopted a strategic approach, integrating CSR/SR into core business practices, informing company decisions and activities. The concept itself seems not too well known by SMEs, although the respective practices appear to be well implemented and numerous.

Central, local and regional public authorities are often insufficiently involved in promoting the concept of CSR/SR for the benefit of communities and in creating a supportive framework and favorable conditions to encourage organizations to engage in responsible practices. Public authorities’ efforts in CSR/SR campaigns are still not strong. Despite this, in the context of globalization, Romanian organizations are still recommended and need to adopt a responsible conduct to be able to compete in the market. A “National Strategy for the Promotion of CSR” was launched in 2011, highlighting priorities, objectives and main directions for implementation.

The introduction in Romania of standard ISO 26000:2010 creates the premises for application of social responsibility by both all the companies, from multinational corporations and public companies to small and medium enterprises, as well as by NGOs, trade unions, employers and government agencies.

There are also several authors that contribute to the romanian literature in the fields of CSR: Crisan(2013), Dumitru(2012), Oprea(2011; 2005), Diaconu(2009), Iamandi (2008). Initiatives in areas of concern and related to SR are still few by numbers and government institutions and authorities tend to be more of a secondary partner in projects and campaigns, rather than the main initiator.

In “Guide on Integrating Social Responsibility Into Core Business” it shows that the role of employers and employees representatives in advancing the implementation of responsible business practices is an important one. They identified several initiatives advanced by employers and employees representatives in the field of SR. While the majority of these seemed to focus on a particular component of the SR spectrum, such as employees’ health and safety, employee skills development or environmental efficiencies, few have also been identified as focusing on promoting and encouraging the integration of SR into business operations.

Although there are increasingly more corporate social responsibility initiatives in Romania, there is not a transparent relationship or transactions, did not prepare a report on corporate social responsibility and have not communicated CSR activities in a systematic manner.

There is no doubt that SMEs in Romania have had little guidance on SR.
6. CONCLUSIONS

Corporate social responsibility represents the responsibility of enterprises for their impacts on society. Corporate social responsibility is largely associated with big companies. Many small businesses might feel that CSR isn’t necessary for them to do business, but studies and reports show that customers of businesses large and small care about CSR.

From a small local market shop to a multinational enterprise, every business entity has its stakeholders and its impacts on society, both positive and negative. But when CSR is discussed in policy circles, the media and wider civil society, the focus tends to be on the largest companies. Small and medium-sized enterprises (SMEs) are often overlooked. Although they play an important role in the economy of a country, most tools, frameworks and justifications for responsible business activity tend to cater for large companies.

In Romania, the field of CSR/SR is still at its early stages of development. Only few companies adopted a strategic approach, integrating CSR/SR into core business practices, informing company decisions and activities. The concept itself seems not too well known by SMEs, although the respective practices appear to be well implemented and numerous.

CSR is set to become more important in the future and is likely to be essential element of strategy for all companies of every size.

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MANAGEMENT DEVELOPMENT PROCESSES – EMERGING CHALLENGES FOR PUBLIC INSTITUTIONS

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ABSTRACT:
Even if viewed from outside, public institutions seem to be easy to drive, their management is proving to be extremely difficult, especially since they include highly complex entities, continuously exposed to a dynamic sector which operates under the influence. The degree of difficulty is induced by specific regulations, which must always be adapted to reality. A performant management within any company that wants a sustainable development in the particularly complex context of globalization must be based on respect of the concepts of ethics and integrity, fundamental concepts for public administration, whose role must be always put in the service of public interest. As a tool for implementing government policies, public institutions must set an example of ethical behaviour. Thus the management of public institutions has the task of analyzing the relevant processes and relations within the economic, social and cultural acting, based on studies, updated and improved continuously, principles and rules that reflect management development processes. The need for an innovative effort to continuously adapt, improve, and update steps are absolutely essential that public institutions support should, in the interest of all citizens, expressing the essence of a complex management, according to current conditions and the emerging challenges, perfectly integrated EU reality.

Key words: management, public institutions, integrity, business ethics.

1. INTRODUCTION

The introduction section of our paper focuses on four main issues presented as follows:

(1) What matter does the paper cover?
Modern management, restructured and adapted to new requirements, is the synthesis of science and art, combined and implemented in a way that highlights points of view focused on progress. The proportions in which each manager blends art with science, demonstrates that management cannot simply be reduced to a set of scientific rules or actions in the management being absolutely necessary to observe the outline traced, but becoming stronger individually, as appropriate.
(2) Why is the studied matter important?

Therefore, our approach takes into account presenting the current state of existing knowledge in this field.

(3) How does the author intend to answer to this matter? And

(4) What is the relation between the paper and the already existent specialized literature?

In the literature, management shall be assigned a variety of definitions, on which we cannot say that scientists have reached a consensus. Probably would not even be possible, given that progress is the key that opens doors for all areas raises questions, make replies, which give birth to in their turn countless other questions.

In trying to find answers and solutions, it is the cycle that runs continuously, each step representing a springboard to others, even if the answer is not at all complete and sometimes even correct. It is normal when everything is in a process of change and continuous improvement. Nothing that happens cannot be conducted without a specific direction, printed and coordinated management more competitive by the day, the objective of which translates achieved superlative performance.

According to Peter Drucker, management is equivalent to people leading role of the manager being targeting and coordinating the work of others, enabling it to carry out its work.

Management therefore involves a variety of activities that sums up a good organization, management, coordination with the other words to hold the art of leadership, based on scientific foundations (Jean Gerbier, 1965). Konosuke Matsushita considers itself the management as the art of mobilizing and channelling intelligence across all the service aim of the organization.

Very inspired is the definition of JJ Serven Screiber, that management is the newest of the oldest sciences and arts’, considering also that management is the art of arts, as is considering directing talent of others.

Time has shown that, regardless of the quantity and quality that provides the knowledge, principles and specific methods of leadership, management leads to spectacular results apply only when those who have leadership skills, master the industry in which they operate, are able to understand human nature.

Are only a few arguments that require a focus on the selection of managers, made scientifically argued by a very good training them according to their basic specialty and specific peculiarities of each organization, small, medium or large, in the public, private, or non-profit organizations within. An aspect that should be regarded with utmost attention is the extent to which managers respond to the concepts of ethics and integrity, showing full responsibility.

In human society, organized as state, operates a variety of public services through which executive power implementing tasks to ensure the satisfaction of the general interests of the individuals and the state.

The public services provide: order, education, health, public finances, public domain administration, security borders, etc. Sum up all these government services. Social relationships between public authorities and between them and individuals or legal entities, shall be governed by administrative law representing legal relations. As individuals and organizations have standards and ethical (moral) that can and must demonstrate that they comply with their behaviour (correspondent is actually individual and organizational integrity) are found in society based professions codes of professional deontology (based on values and moral standards), compliance therewith being a correspondent of their professional integrity.
Putting it this way, it is not hard to recognize a public organization based on the principles of ethics, acting with integrity, especially since the public administration must always be at the service of society, the public interest. In this context, having an ethical attitude inspires confidence; provide security because it requires fairness in all aspects. Integrity is considered fundamental to public administration.

2. LITERATURE REVIEW - FOCUSING ON MANAGEMENT OUTCOMES

Central and local administrative authorities have the task of implementing laws, in order to meet the needs and interests of general and local human communities and to ensure the proper functioning of public services for citizens.

Within the context of dynamic economic activity, public institutions have an important role, which involves tackling a rigorous and coherent thinking in the complexity act to represent the mainstay of management, able to support the management of relationships between society and the private sector. Another aspect, on which we must bow with all the attention, refers to the need to reduce public spending heavy burden given that governments around the world going through a real crisis of legitimacy.

Therefore, limits on expenditure growth is imperative to be handled with utmost responsibility, especially as the beneficiaries of public services have become extremely vigilant and demanding, with expectations for the results expected and with greater freedom of methods to get them, refusing to accept the government to decide what, when and how they deserve. In this respect, the measures taken by governments was the most diverse, among them being found: the outsourcing of certain services on privatization and commercialization tasks, introducing new taxes.

An important step is the introduction of elements of internal competition within administrations, performance indicators by which to ensure rewarding civil servants. Decentralization in favour of local or revision of budgetary procedures, are among measures to optimize the efficiency of government, while minimizing expenditures.

The reforms in how the services are in a continuous improvement process must be accompanied by a rigorous examination of the principles which must guide their implementation in practice. It is a complex process that must be continuously adapted corresponding to each country realities, being particularly important in that it involves the transition from the traditional manner of functioning of public institutions, now obsolete, which included a mode based on a priori control of resources, the complex and intricate regulations designed to prevent abuse, followed by an a posterior inspection to verify legal compliance to leadership based on clearly stated goals and purposes, accountability for results.

In essence, the main objectives of the government require the transition from a system based solely on inputs to a system focused on outputs. Here the management of public administrations should guide the work, concerns and results for organizations implementing government policies and is an example of ethical behaviour.

Incidentally, among the fundamental concepts of the model promoted by EFQM Excellence, find leader concept and the one that supports the creation of a sustainable future. Leader must have vision, inspiration and integrity. The behaviour of leaders of an organization determines the clarity and unity of purpose within the organization and follow creates an environment in which the organization and its employees can excel. Excellent organizations have leaders who can shape the future and have the ability to ensure that their views are reflected by acting as role models who show respect for their values and ethics. On the other hand, creating a sustainable future involves social responsibility.
The following literature review is intended to generate the necessary background for other future research and further investigations in terms of real estate field, including, as well, for the authors of this article. Due to this fact, a very important step in the exploration of potential strategies concerning the real estate field is a thorough review of the currently available research, which will include books, peer-reviewed scholarly journals – mainly descriptive articles, rather than evaluative ones, practice guides, official professional sites, professional publications and official documents with an international impact towards real estate industry, economics and management. In most cases, practice guides and descriptive articles are more common in this field. Moreover, there are a few notable research studies in the topic of real estate industry, and in addition to this, there are significant gaps between the literature and the actual research, but all this was once more both a great opportunity and a great challenge for us as researchers - economists.

Excellence means going beyond the minimum legal requirements for the operation of the company in an effort to understand and respond to the expectations of stakeholders in society. Long-term interests of an organization and its staff are appropriately responding when the approach is ethical, exceeding stakeholder expectations, while respecting the existing rules in the community. Excellent organizations have a positive impact on the world around them by improving their performance while promoting economic, environmental and social communities in which they operate.

3. SPECIFICITY OF EVALUATION OF THE RESULTS IN PUBLIC INSTITUTIONS

Establishing the criteria for performance in public institutions is hampered by funding specific characteristics of activity or field of activity concerned well as the role of monopoly induced by the uniqueness or requirement of relations with state administration structures. In these circumstances, economic ruin indicators are not often relevant public institutions.

The profit, surplus or loss has a very special significance in the financial results of a public institution. In these circumstances, the assessment of management performance and the criteria for evaluation and stimulation of the personnel involved in the activities of public institutions should be most often based on non-economic satisfaction related to citizens they serve local public institutions operate cent of compliance with established policies in terms of legality and ethics. Lack of performance, lack of efficiency and effectiveness can be measured by embezzlement, unlawful expenses, bureaucracy, corruption and lack of ethics.

Performance indicators are defined by empowered state bodies and there is enough material publicly available, such as reports issued by the Romanian Court of Accounts, the judiciary or the included studies and reports of national and international bodies. In support of the above we present some results and conclusions of studies released (Report prepared in accordance with Art. 22 part (1). p) of the Act no.188/1999; Report on Compliance with the rules of conduct for civil servants, ethical standards and implementing disciplinary procedures for the first semester 2013, prepared in accordance with the Order of the National Agency of Civil Servants (NACS) no. 4500/2008; Law no. 188/1999; Law no. 161/2003; Law no. 7/2004; Law no. 477/2004; Law no. 144/2007; H. G. No. 1344/2007; H. G. No. 215/2012; The President’s Order of the National Agency of Civil Servants 4500/2008; The President’s Order of the National Agency of Civil Servants. 1200/2013):
The conclusion of *Public Administration Reform in Romania* developed by experts of the World Bank in 2011 points out that, despite the reforms carried out since 1990 in public administration, civil service management is one of the most important issues facing the Romanian government, in the context recommending the following actions: The professionalization of civil leadership, recruitment and promotion of civil servants based on personal merit and performance/evaluation of activities, updating organizational structures in line with business needs of public institutions, streamlining staff structures and pay system, improving the capacity of public institutions and their responsibility to implement a strategic human resource management (World Bank (2011)).

The activity of control of the Agency (World Bank (2011)) in 2012 resulted in making of 77 thematic control activities and the development and approval of 71 inspection reports. The main findings of the inspection teams in 2012 on the application of legal acts of the civil service were:

- Failure to update organizational charts and pay scales and lack Opinions granted by the National Agency of Civil Servants on the establishment of public functions (Report prepared in accordance with Art. 22 para. (1). p) of the Act no.188/1999).
- Minimizing the unjustified the importance of professional record.
- Incoherent management of public functions due to poor understanding of the concept of public office.
- Failure to comply with art. 2 paragraphs (3), lit. a) - h) of the Law. 188/1999 on the Statute of civil servants, republished (r2) for the purpose of employment to posts entrusted with public functions by contractual staff.
- Appointment of civil servants with observing the legal provisions.
- Employment of public management functions through breach the temporary promotion.
- Failure to comply with the law (GD nr.1344/2007) on the organization and functioning of discipline; Failure to comply with the law (GD no. 833/2007) on the organization and establishment of joint commissions.
- The granting of financial rights with the legal provisions in force.
- Failure to comply with legislation drafting, approval and submission of the plan to improve public servants for 2012.
- Failure to comply with to art. 21 part (1) of Law no. 7/2004 on the Code of Conduct for civil servants.
- Failure to comply with legal regime of incompatibilities and conflict of interest established by law.
- Failure to comply with the legal provisions of the existence and completion of special registers for entry declarations of assets and interests.
- Failure to comply with the legal provisions relating to the submission to the National Integrity Agency (ANI) declarations of assets and interests.
- Failure to comply with the law on the reorganization of public authorities and institutions.

According to the data collected from the public authorities and institutions in the reporting period, the main causes of non-compliance of Conduct nominees were as follows: negligence of public officials in the exercise of their duties; inappropriate behaviour and attitude in dealing with colleagues / beneficiaries of public services; Work Programme failure and inefficient use of working time; influence of personal problems on professional activity; high workload; ignorance of legislation needed for
the activity; complexity of the specific legislation and the existence of rules which generate different interpretations.

To assess citizen satisfaction surveys and research must be elaborate and implemented procedures to collect specific information. In order to achieve continuous improvement in performance, including the quality of service as well as the continued growth of effectiveness in meeting citizens' demands can be an important measure to adopt a quality management system in accordance with the requirements of SR EN ISO 9001: 2008 - quality management systems.

Evaluation of the efficiency and effectiveness of the quality management system can be made by assessing citizen satisfaction. Thus, we conducted a survey on a sample of 228 people in order to know in detail the preferences, behaviours and satisfaction of citizens who use the services of a common hall in Arges County.

As a method of obtaining primary data the statistical survey based on a questionnaire has been used. This method offers the possibility of precise answers and clarifies some questions for getting correct answers. Raw data from subjects' responses were considered to the questions contained in the questionnaire. Knowing the expectations of citizens is vital both to define performance criteria and for their evaluation. Measuring satisfaction is subjective; there will only be satisfied when the perception of the service will be at least equal to expectations. Succeeding in this correlation, even if the perception would exceed expectations, the acquisition of quality of service.

**Defining working hypotheses** - view test results in the literature, combined with specific attitudes we defined the following assumptions subject research:

\[ H1: \text{Citizens usually come to City Hall to address specific problems;} \]
\[ H2: \text{Not everyone is aware of the tasks Hall;} \]
\[ H3: \text{We believe that there is a significant improvement in the activity hall;} \]
\[ H4: \text{It can accomplish a hierarchy of factors that characterize the public service.} \]

**4. INTERPRETATION OF STUDY RESULTS**

The reason that people have resorted to City Hall, in most cases that the percentage of 42.7% is for the payment of local taxes. 3.4% of citizens asked the audience, while 29.6% have requested release certificates (hence the first hypothesis is checked). A large percentage of people (88.4% of respondents) are very well informed about the tasks Hall (hence of second hypothesis is not verified).

Regarding the performance of duties hall (hypothesis 3) as shown in **Table T1 - Reflections on fulfilling tasks hall**, we find that 54.39% of respondents are satisfied with the services received, which entitles us to believe that there is some improvement activity. The number of those who can not decide is still important, which reveals the existence of opportunities to increase the quality of public services.
Table T1 - Reflections on fulfilling tasks hall

<table>
<thead>
<tr>
<th>Valid values</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely weak</td>
<td>14</td>
<td>6,14</td>
</tr>
<tr>
<td>Weak</td>
<td>23</td>
<td>10,09</td>
</tr>
<tr>
<td>Not too weak, not too good</td>
<td>67</td>
<td>29,39</td>
</tr>
<tr>
<td>Good</td>
<td>70</td>
<td>30,70</td>
</tr>
<tr>
<td>Very good</td>
<td>54</td>
<td>23,68</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>228</strong></td>
<td><strong>100,00</strong></td>
</tr>
</tbody>
</table>

Source: the authors

Figure F1 - Reflections on fulfilling tasks hall

Source: the authors

Regarding hypothesis 4, according to the survey results reflected in Table T2 - The importance of the characteristics in the activity hall, we find that citizens want the Mayor's Office jurisdiction, and equally kindly and transparency.

Table T2 - The importance of the characteristics in the activity hall

<table>
<thead>
<tr>
<th>Valid values</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility in organization</td>
<td>8</td>
<td>3,51</td>
</tr>
<tr>
<td>Continuous communication with citizens</td>
<td>31</td>
<td>13,60</td>
</tr>
<tr>
<td>Transparency</td>
<td>60</td>
<td>26,32</td>
</tr>
<tr>
<td>The competence of officials</td>
<td>69</td>
<td>30,26</td>
</tr>
<tr>
<td>Good will</td>
<td>60</td>
<td>26,32</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>228</strong></td>
<td><strong>100,00</strong></td>
</tr>
</tbody>
</table>

Source: the author
5. MEASURES AND SOLUTIONS TO IMPROVE THE MANAGEMENT SYSTEM OF PUBLIC INSTITUTIONS

Analyzing the management system of public institutions on one hand we identify best practices of the field and, on the other hand, failures facing them, pointing measures and appropriate solutions to improve management processes and activities, because organizational goals in terms of effectiveness and efficiency is not only a key concern and commitment which must also assume management of public institutions.

Based on the general objectives of public institutions can be taken into consideration:

- Development and implementation of policies and strategies specific to each area, given that they determine the effectiveness and efficiency of the management of public institutions, based on the efforts of managers and specialized personnel.
- Development and implementation of effective and efficient organizational communication, which leads to a better involvement of employees at work, contributing to the achievement of organizational goals.
- Implementing strategies and the programs aimed at improvement of the information system, the effect on increasing the effectiveness of the management system, as found in superior performance both in the organization and the individual employee.
- To give special attention of the management style promoted in public, very important, especially as the good management should provide an organizational climate beneficial, supporting and motivating employee’s activities in fulfilling organizational goals, allowing the achievement of results very best.
- Management of public institutions is heavily dependent on planning and budgeting system, otherwise default programs should ensure effective management of resources, integrated and unified able to meet the specific objectives of public institutions.
- In the analysis of management system imposing a better knowledge and understanding of the specific activity of public institutions, with emphasis on social and economic context, ensuring a flexible management that requires different approaches in terms of
application of methods, techniques and tools of management, in terms of providing the national and EU standards.

- The development of public institutions appropriate human resources strategies and effective management that would allow them to pay attention to the following factors: recognition of achievements in work, relationship quality heads - subordinates, transparency in decision making, fair wage.

- Models for analysis and evaluation of management should be adapted appropriately based on: features and complexity and specific activities in the field, which features the organization's objectives, apply and manage these activities correlated with characteristics of human resources involved in the process.

- **Aligning standards** process training and development of staff to EU requirements.

### 6. CONCLUSIONS AND IMPLICATIONS

New analysis conducted on the public institutions of trial, in our paper entitled *Management Development Processes – Emerging Challenges for Public Institutions*, allowed us to make a number of proposals to improve the management system and increasing of effectiveness and efficiency of operational activities / processes specific to these organizations.

Thus, in order to achieve public institutions is deemed necessary:

- To continue the implementation and development machines to efficient and effective communication programs need to involve employees responsible.

- Redefining and strengthening organizational culture values in public institutions who actively contribute to fostering ethical behaviour, both in terms of individual and collective.

- To increase the degree of concern of managers in the development and subsequent implementation of the most appropriate strategies and HR policies, consistent with changes frequent both factors determining the overall performance of the organization's management and the factors determining the performance of activities and specific processes.

- To intensify the training and improvement activities ensuring managers and employees to achieve strategic and operational objectives at the institutional level, the specific role of each and management in its entirety.

- Ensuring proper and accurate definition and hierarchy of objectives related to: system, structure, mission, people, reward system, personnel evaluation, involvement and integration work.

- To continue the process of identifying and implementing best practices in management based on people with a very good professional.

- To take measures by the managerial ethics to be brought to the fore, given its role in improving the management skills that ensure accountability in addressing organizational problems in increasing the credibility of managers to staff and to the beneficiaries.

- Ensuring the best conditions for periodically evaluating employees and the degree of satisfaction in their work, given the importance of these measures in promoting good relations between managers - employees and between employees - employees, measures which enhance fosters team spirit and performance at work.
Operational integrated system leads to a faster and more efficient service to citizens, increase transparency, improve information accessibility. These issues will help to increase public confidence in the institution and to improve the efficiency of our staff.

To intensify the activities for the integrated system thereby providing faster and more efficient for citizens, increase transparency, improve information accessibility. These issues will help to increase public confidence in the institution and to improve the efficiency of the management and staff of public institutions.

Ensuring appropriate framework for achieving periodic internal audit management to highlight weaknesses in the management and endorse the organization is operational activities and processes to identify ways to improve on best practice management system components.

Should be adopted the most appropriate measures for improving and strengthening the process of leadership in public institutions important factor in ensuring staff motivation in public. A particularly important issue for the management of the organization is to ensure public confidence, i.e. citizens, private organizations or other non-profit organizations in public institutions and their staff.

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ABSTRACT:
In our days the power of internet has a significant increasing. People are stressed and have a lot of things to do, so, many times they prefer to buy online. That is why online commerce gained more and more ground. The most important element which determines clients to buy is trust. If people are satisfied about the products, about company or about the interaction with company’s employees they will return, if not they will go to the competitors. When we speak about trust we think at corporate reputation. Corporate reputation is an important and sensitive asset that determines consumer’s loyalty and the position on market for the company. Reputation is so sensitive that each action, each word that came from the company, each interaction of the company with customers or business partners is important. There are a lot of risks that a company may face but reputational risk is one of the most important because when the reputation is affected the company has to make important efforts to improve her image. In this paper we will speak about corporate reputation, reputational risk and we will do a comparative analysis to show how important is reputation in online commerce.

Key words: corporate reputation, reputational risk, profit, online commerce

JEL Code: C5, E4

1. INTRODUCTION
Online markets have gained over time more and more ground. By eliminating geographical barriers and physical costs of maintaining traditional stores, online markets have led to freedom sellers and buyers. However, the fluidity of the cups kind of markets has brought to the fore other challenges as confidence. Solving this problem is the key competitive advantage for many successful players of the virtual area.

Determining whether the Internet attracts customers is far from being an exact science. No census could doubt that hundreds of millions of people around the world are active users of the Internet. Internet traffic shows that they are turning to online searchers like Yahoo!, Microsoft, MNS and Google. But many of these users are more than just Web surfers - they are big customers and visitors of a global market. Globally, the most visited markets are eBay and Amazon, in 2005 there were more than 627 million people who made online transactions.

Online auctions are also a transaction involving two parties, as the number of buyers and sellers who use an online platform is greatly increasing its value. Revenue of a seller online grow in direct proportion to the number of bidders interested, while a buyer benefit both increasing the variety of products offered and the price increases as the number of sellers increases. Because services involve high fixed costs and low variable costs, online auction platform causes strong network effects. This is true for a number of online platforms among which Amazon, Google and eBay.
As the number of online auctions has increased, interest in providing trust and reputation on the past behavior of sellers has increased significantly. Many electronic portals like eBay or Amazon give users the ability to arrange auctions on a large online community. Unfortunately, this type of behavior can easily attract malevolent users who intend to use the system only in their own interest. To cope with the situation, customers have access to past behavior of sellers so that we can say that the decision to purchase is made in an informed manner. A number of reputation research institutes were interested in studying reputation and market studies were made about the globally behavior of firms.

2. CORPORATE REPUTATION AND REPUTATIONAL RISK

Reputation refers to the perception of a person on certain intentions or rules. Economists have used the word reputation to explain the irrational behavior of people when they are participating in repeatedly played games. IT workers use reputation to model confidence in companies that perform virtual trade. In biology, the reputation has been used to explain why selfish individuals are willing to cooperate.

Although so far has been very little considered, any trader agrees that the company’s reputation, as part of his business, is extremely important and that is one of the keys to success. This determines the credibility of the business partners and the basis for their decision to continue or not working with the company in question.

An important factor in determining competitive position is the company's reputation. Over time, those who have studied the reputation adopted various definitions which are often contradictory. Reputation of the firm is an intangible capital defined as the amount that exceeds the firm's physical assets (Druica, 2006). A Latin maxim says that a good reputation is worth more than money. Reputation expresses the firm performance recorded in the past, the customers and business partner’s trust and its promise for the future in an uncertain changing environment. Our reputation is generally attributed by other people (Vergin, 1998) and is the result of direct and indirect experiences (Fombrun, 1990).

According to the Romanian language explanatory dictionary, reputation expresses the public favorable or unfavorable opinion about someone or something, or the way that someone is known or appreciated. Reputation is present in each of our lives since early time, in our relationship with others or with the society. There is no doubt that the reputation is subjective and it depends on how others perceive us. It also underpins the trust of others and significantly influences our relationship with them through our reactions and behavior in various situations. Reputation is a complex concept which is difficult to interpret in a particular context that depends on others perception.

The most important asset of a business is not capital, property or buildings, is reputation (EIU, 2005). Firms may be shaken by the economic crisis but they may recover; if reputation is affected the company may know that in most cases that's the end of everything.

Reputation is what ensures the company's performance (Vendelo, 1998). However, it may happen that reputation is something over which the company has limited control (Bromley, 2000). It develops of how far the business partner’s expectations are met or not (Whetten, 2002). It can also be business partner’s perception about company’s quality management (Hammond, 1996) that offers benefits and challenges (Mahon, 2003). Bromley consider that reputation is an impression shared social about how a firm will behave in a given situation (Bromley, 2000). Fombrun says that reputation is based on a set of beliefs of a community on the company's ability and her desire to meet the interests of different partners (Fombrun, 1996). We can see that in all definitions stated above there is a pronounced bias component of assessing the company's reputation (Helm, 2007).
Without a good reputation a company will be hard to survive and progress. The role of a company’s managers is to improve and protect the corporate reputation. Kitchen and Laurence showed that the reputation of the company management and corporate reputation are closely linked (Kitchen, 2003). A good reputation cannot be maintained without the support of the company's internal. We talk about a good reputation when consumers prefer a certain company’s products and services and not those of competitors that are similar and have the same quality. Despite the fact that it is an intangible asset, researchers showed that the corporate reputation determine a sustainable competitive advantage (Pruzan, 2001).

Reputation can be defined as a distribution of opinions about an entity (Bromley, 2000) or interaction between and among business partners over which the company has no direct role (Mahon, 2002). Also, the reputation is the result of past actions (Herbig), the result of repeated actions and experience over time (Flatt). We can say that reputation is the element that will determine the achievement expectations by comparing the company's competitors (Roberts). This opinion is based on their direct experience with the company, by any form of communication and symbols that provide information about the company's shares and / or shares compared to the company's competitors.

In 2005, the Economist Intelligence Unit (EIU, 2005) conducted a survey among risk managers of various corporations. The study was based on responses of 269 managers. Managers were asked to make a prediction on how each risk affects the smooth running of the business; 52 % of them said that reputational risk is the most devastating of all damaging corporate, followed by the technological and personnel risk rated by 41%, the IT risk rated by 35%, market risk rated by 32% and the credit risk rated by 29%. Also, in terms of major damage that may have different categories of risk, reputational risk was ranked first by 28% of respondents, followed by operational risk rated by 18% and then the personal risk rated by 15%.

The survey conducted by the Conference Board Reputation Risk Research Working Group (Regan, 2008) does not differ greatly. The study something more recent than the one mentioned earlier was made on 131 companies. Of those surveyed, 81 % said that interest in reputational risk has increased in the last year and 63 % said that the interest will increase further over the next three years. More than a third believes that they will not be able to face when they will be confronted with reputational risk. Two-thirds believe that reputation risk responsibility returns to several departments while 74 % believe the responsibility for reputational risk is of the department of communication. It is interesting that they consider reputation is still a communication problem and not something that should involve many departments, which is not a good thing.

In 2004, the study made by Price Waterhouse Coopers (Regan, 2008) showed that 42% of those questioned said that reputation is a very serious threat for the company; in 2007 the percentage of those who consider reputational risk is a serious threat had risen to 54 %.

Aon study (Regan, 2008) made in 2007 showed that most of those 320 companies from 29 countries that were questioned agreed that reputation is a serious threat. Thus, 33% of banks, 64% of insurance companies and only 50% of companies providing financial services said they could face a crisis of image.

We can see from the studies mentioned above that reputation is becoming a more important threat for risk managers. They know that a good reputation increases credibility, make them believe that they will get what they want, a good reputation attract investors and customers, attract the respect of others, makes people to feel safe when they buy or to work for that company, a good reputation attract other investors.

When we think about reputation, often it is closely linked to the possible damage that may occur. Whether it is related to a person, a place or an organization it can be accidentally
destroyed. Although the value of the corporate reputation is undeniable, risk managers are turning their attention to the tangible risks such as operational risk, technological risk, personnel risk or others (Fombrun, 1996). Reputational risk is accepted and recognized by risk managers, but since reputation is an intangible asset is very difficult to quantify, avoid or manage it.

Reputation is an important corporate asset that helps investors, employees and the public to meet their needs. Warren Buffett (Berkshire Hathaway President) said that “It takes 20 years to build a reputation and 5 minutes to destroy it. If you think about that you’ll do things differently.” What Warren Buffett said makes us to believe that the risk has social implications, people tend to perceive it as a threat and thus they forget about its dual aspect; also, people should react and learn from the mistakes made in the past and of course to improve their behavior.

If a reputation is valuable, then any event or action that reduces this value is a form of risk. That is how we perceive reputational risk in general, as an event of loss, as an event that reduces the company's market value rather than growth. The risk must be controlled and avoided and not encouraged.

Reputational risk is targeting sanctions, the behavior and the corporate performance to achieve the expectations of stakeholders; risk represents the gap between their expectations and the company's performance. Expectations business partners changes from day to day, the media, market changes, the requirements competitors having an important influence.

Business partners have different expectations from the company and destroying the relations depend on how different is them behavior from what they expected. There are instances when confidence is completely destroyed and cannot be retrieved such is an act of major fraud in an institution where trust is extremely important. Also, we can deal with situations where business partners are disappointed by various actions, situations where trust can be restored in time but with considerable costs.

Reputation risk can arise from many sources (Fombrun, 2000). Today's financial performance of the company may require that investors continue or not working. In a world in which the environment and the consumers and employees rights are very important, ethical and social performance and environment can affect corporate reputation. Thus, firms need to be careful about how they treat employees by giving them proper wages and working conditions, offering customers quality products and use various methods of environmental protection (filters discharge into rivers smoke filters). Some disgruntled employees may boycott the production through strikes or unethical practices. Of course business partners should not be forgotten. If they disagree with the decisions taken by the company’s management they can boycott or discontinue their business collaboration. Not least, their reputation should be positive. Suppliers are another category that may affect the company's reputation. Problems can arise if they are not correct, if their commitments don’t provide quality raw materials at a reasonable price and on the terms specified in the contract. Disputes can be an important element that can seriously affect the reputation and welfare the business. Together with the development of different ways of communication news travels faster. Media is such an important factor in the creation and the destruction of reputation. Like the media, the Internet is a source of creation or destruction of reputation. Through this, good or bad news, a movie or something else can around the world in just a few minutes and compromise the company.

Being an intangible capital asset there is no clear measures of reputation risk. We still measure reputation by capital losses resulted from an impending crisis. Any capital loss greater than predicted by the company, can be interpreted as a reputation loss. For example, if the company announces 100 million losses and real losses from the balance reveals loss of
250 million, 150 million difference represents the loss of reputation. The above example is not free of drawbacks; unfortunately the effects are seen only after the loss was recorded.

A significant reason for studying reputation is the concern about the cost of that damage it entails. According to the Economists Intelligent Unit survey (EIU, 2005), companies have found that problems with the reputation bring the highest costs. Of those who experienced problems on reputation, 28% said they had major financial problems because of it, while only 18% of major losses were recorded as a result of skills and talents. Losses from reputation can be more expensive than the direct impact of the event that caused them. Also, one thing to be considered is that investors are willing to pay more for the shares of a company with a good reputation.

According to the Economists Intelligent Unit survey (EIU, 2008), 62% of companies surveyed said that reputational risk is very hard to manage. This happens because reputation is a key asset for the business and it determines success and should be enhanced and protected (Gaultier, 2009). People should be aware of potential sources that determine a good reputation and manage the properly. Defining the risk of reputation as something that may impact positively or negatively on the reputation, we ensure that it is integrated with other risks, acting at the source and draws attention to the correct level. One problem would be that we often tend to consider the financial impact of this risk in the short term and to think that it is pointless to manage something whose consequences cannot be quantified accurately.

3. REPUTATION RATING FIRMS STUDIED IN VARIOUS SPECIALTY RANKINGS

People build relationship with a particular company based on direct experience with this - products, investments, customer service, employment, based on what company says - advertising, public relations, marketing, social responsibility and based on what others says about that company - media, experts, leaders, family, friends. These experiences have different impact on how respondents perceive the company.

For example, Reputation Institute measured how respondents interact with companies and determines how company changes over time and how different experiences determine people’s level of trust, admiration, respect and well. For each company that participated to the study, based on respondent’s trust, admiration, esteem and approach Reputation Institute build a variable called RepTrakPulse. All companies that participated to the study were analyzed according to public opinion about performance, products/services, innovation, leadership, social responsibility, management and responsibility for employees. According to the reputation coefficient called RepTrakPulse, in 2011 Amazon was ranked 28 and eBay was ranked 80, in 2012 Amazon was ranked 5 and eBay was ranked 63.

Another example is the study conducted by Harris Interactive. Since 1999 based on the responses of approximately 15000 people every year is determined the reputation coefficient. The study is based on a series of 20 items grouped into six categories as follows: emotional feedback, products and services, working environment, financial performance, vision and leadership and social responsibility. According to the reputation coefficient, in 2011 Amazon was ranked 8, in 2012 was ranked 4 and in 2013 was ranked on the first place.

From the above studies it appears that the two largest markets online, Amazon and eBuy are highly rated in the public eye. More, eBay has its own reputation measurement. Thus, on company's website, after purchasing a product the customer is asked to answer some questions and so prospective customers are informed about the company they want to deal because they have access to other customer opinions about products purchased and the seller's reliability.
4. HISTORY OF THE COMPANIES SURVEYED

Companies that we choose to speak in this paper are well known all over the world but most of all in United States of America where online commerce is widespread. According to a statistic site called “Statista”, in 2012 USA recorded 289 billion dollars from online commerce comparing to 256 billion dollars in 2011 and 228 billion dollars in 2010. Amazon and eBay are two companies from USA well known for online commerce.

Amazon was founded by Jeff Bezos in 1994. The company has the headquartered in Washington, Seattle. The activity of the website amazon.com started the activity in 1995 as a place where book lovers could buy what they like to read. Shortly, the mission of the company to be known all over the world was accomplished. Now, Amazon has 18 locations in USA and more in a lot of other places all around the world like China, Costa Rica, France, Germany, India, Ireland, Japan, Luxembourg and Great Britain. In all locations works around 88400 people. From Amazon.com you can buy: books, movies, music, video games, electronics and computers, home and garden items, tools, toys, things for children and infants, food, health and beauty things, clothing, shoes, jewelry, sports and outdoor activities, automotive and industrial products sectors.

eBay was founded by Pierre Omidyar in 1995 who intended to create a global market where all people have access. The company has the headquartered in San Jose, California. The business evaluated from one that implied two people transaction to one which implies transactions from producer to consumer. In our days the company is extended in 39 countries, has 90 million users and has transactions around 1900 million dollars.

5. COMPARATIVE ANALYSIS OF THE COMPANIES SURVEYED

As we saw in those two surveys that I speak above, Amazon and eBay are two important and appreciate companies. What I intent to analyze is the influence of reputation on financial performance of those companies. Is Reputational Risk an important threat for companies? To make this analyze I chose financial data of those two companies between 2003 and 2011 and I made a time series analysis. Using this data we can predict sales value from 2012 and compare with real values. In the end we will determine the influence of corporate reputation on total sales of companies that we study.

For the beginning we will study the seasonal factor. For Amazon we determine that the seasonal factor in 2012 is 0,84 in the first quarter, 0,96 in the second quarter, 0,85 in the third quarter and 1,35 in the fourth quarter. In this case we can say that in the first quarter Amazon sales from the first quarter are with 16% lower than the annual mean, in the second quarter Amazon sales are with 4% lower than the annual mean, in the third quarter Amazon sales are with 15% lower than the annual mean and in the fourth quarter Amazon sales are with 35% bigger than the annual mean of sales.

For eBay we determine that the seasonal factor in 2012 is 1,01 in the first quarter, 0,99 in the second quarter, 0,97 in the third quarter and 1,03 in the fourth quarter. We can say that eBay sales from the first quarter are with 1% bigger than the annual mean, in the second quarter are with 1% lower than the annual mean, in the third quarter are with 3% lower than the annual mean and in the fourth quarter are with 3% bigger than annual mean of sales.

As a conclusion we can say that the influence of seasonal factor is evident as we can expect to be. For both companies sales are lower in the first three quarter of the year and bigger in the last one. A natural explanation could be that before Christmas and New Year people are tempted to buy more. In this period of the year they plan and buy the summer...
holiday, they buy a lot of presents for family and friends. After winter holidays they are not so tempted to buy so many things.

We propose to predict Amazon and eBay sales from 2012. For this we will make a time series analyze using quarterly values between 2003 and 2011. We denote this 36 quarter with numbers from 1 to 36. So, the first quarter from 2003 we denote by 1 and the last quarter from 2011 we denote by 36. The four quarter from 2012 we denote by 37, 38, 39 and 40. Using time series we can determine the sales trend for those two companies that we study.

For Amazon we have the following exponential trend equation: \( T_t = 1006,952 \cdot 1,072^t \) and \( T_{37} = 13189,120 \) mill. $, \( T_{38} = 14138,737 \) mill. $, \( T_{39} = 15156,726 \) mill. $, \( T_{40} = 16248,010 \) mill. $.

For eBay we have the following exponential trend equation: \( T_t = 624,895 \cdot 1,049^t \) and \( T_{37} = 3668,598 \) mill. $, \( T_{38} = 3848,359 \) mill. $, \( T_{39} = 4036,929 \) mill. $, \( T_{40} = 4234,738 \) mill. $.

Adjusting those quarterly trend values with the seasonal factor we obtain the predicted values of sales registered by those two companies in 2012. For Amazon we determine 11078,8608 mill. $ in the first quarter, 13573,1875 mill. $ in the second quarter, 12883,2171 in the third quarter and 21934,8135 in the fourth quarter. For eBay we determine 3705,2839 mill. $ in the first quarter, 3809,8754 mill. $ in the second quarter, 3915,8211 mill. $ in the third quarter and 4361,7801 mill. $ in the fourth quarter.

Sales values registered by those two companies in 2012 are a little different. Amazon sales in 2012 are 13185 mill. $ in the first quarter, 13806 mill. $ in the second quarter, 12843 mill. $ in the third quarter and 21268 mill. $ in the fourth quarter. eBay sales in 2012 are 3277 mill. $ in the first quarter, 3398 mill. $ in the second quarter, 3404 mill. $ in the third quarter and 3992 mill. $ in the fourth quarter.

We can think that the difference between real sales values and predicted one could be the result of reputation action. If those two companies have serious problems with them reputation the difference would be obvious. The companies that I speak in this paper have a good reputation. We saw this thing in the third part of the paper.

The coefficient of determination is 0,93 in Amazon case and 0,898 in eBay case. We can say that 93% of Amazon sales depend on period of the year and 89,8% of eBay sales depend on period of the year. The rest of 7% and 10,2% of sales depend on other things like reputation for example.

To evidence the connection between reputation and companies profitability we analyze the connection between reputation, return on assets ROA, return on equity ROE and return on invested capital ROIC.

ROA shows how profitable a company’s assets are generating revenue. It is defined as the ration between Net Income and Average Total Assets. This indicator is used to compare companies from the same industry. A value of ROA over 5% is considered to be good.

ROE measures a firm’s efficiency at generating profits from every unit of shareholders’ equity. ROE shows how well a company uses investments funds to generate earnings growth. A value of ROE is between 15% and 20% is considered to be good.

ROIC is a financial measure that quantifies how well a company generates cash flow to the capital it has invested in its business. It is defined as the difference between Net Operating Profit and Adjusted Taxes divided by Invested Capital. When ROIC is greater than the cost of capital, the company is creating value and when ROIC is less than the cost of the capital, the value of the company is destroyed.

According YCharts, for Amazon we have ROA equals with 2,72 in 2012 and 2,5 in 2011, ROE equals with 7,34 in 2012 and 8,13 in 2011, ROIC equals with 5,58 in 2012 and 6,08 in 2011. For eBay we have ROA equals with 7 in 2012 and 11,82 in 2011, ROE equals with 12,5 in 2012 and 18,01 in 2011, ROIC equals with 9,95 in 2012 and 15,69 in 2011.
According to Reputational Institute reputation coefficient for Amazon is 82.7 in 2012 and 78.1 in 2011 and for eBay is 68.48 in 2012 and 67.16 in 2011. Using these values we made a regression and we determined that the values of financial indicators in 2012 depend significantly on the values of financial indicators in 2011. According to coefficients of determination the relationship between the values of financial indicators in 2011 and 2012 are significant, but a significant part of those from 2012 of each indicator depends on values of another indicators from 2011 too. If we take into account the value of reputation in 2011, the meaning of the relationship mentioned in the preceding paragraph shall be kept. Reputation in 2012 depends on the reputation of 2011 and the values of financial indicators from 2011.

Therefore, based on the calculations above we can say that the company's reputation significantly affect its financial performance. Quality is important for consumers and that is why companies with a good reputation ensure high quality. So, in the case of a decision making, consumers take into accounts the company's overall image.

6. CONCLUSIONS

Recently, with the development of technology, a new branch of competition began to develop - online competition. Online competition offers some benefits like easy access to information, low cost, flexible pricing, and lack of space and time constraints, opportunity to choose from a wide range of goods and products, so this new type of trade has taken increasingly more and more widespread. Thus, more and more companies that are operating in the classical market began to develop their business in the online environment. This new type of trade brings a series of changes in economy and management. Of course we can mention some disadvantages: you cannot touch and palpate the product before buy it, the waiting time between purchase and delivery the product, fear of fraud in electronic payments.

Online business grows faster than the classical one; this one involves lower costs with employees, with business space, other taxes and higher costs with electronic infrastructures. Traditional market involves important advertising or market research costs which for online markets these costs disappear.

In our country electronic commerce began to grow more and more. People begin to take courage to buy online. It takes time and significant investment to be able to grow and reach the level of e-commerce in developed countries.

For the good of the economy in general and of a company especially an element as important as competition is reputation. Representing the opinion formed over time by traders on a particular company, reputation is built with high effort. For building the reputation it takes time and resources but for its destruction you need only few minutes. With globalization and the development of communication, bad news reach every corner of the world in just a few minutes, so managers must be very careful about any actions they take, about employees or about quality.

Reputation is what provides company's performance. A good reputation determines company’s performance growth, profit, attracting good business partners, suppliers and customers, competitive pricing, qualitative product, customer’s loyalty. A bad reputation had some disadvantages like decreasing of shares value, decreasing prices and sales, the loss of business partners.

Risk managers have discovered the importance and benefits of managing reputation over time. If some time ago they did not take seriously this intangible asset, recently they become more and more interested in building and maintaining a good reputation. It seems they realized that risk which is hanging over them reputation is determined by a number of
factors and by risks to which the company is exposed and they need to focus attention on them.

In conclusion, we can say that the reputation and competition are two important elements for the good of the economy in general and business in particular. Economics agents that are competing in the same market are becoming more attentive to the reputation, to the customers and if the image is formed in compliance with quality products and services to meet customer demand. Building reputation requires significant effort, time and money and you can destroy it in a few minutes. When the customer first interact with the market and choose between companies that are producing similar goods and services, he take into account several qualitative and quantitative factors and look at corporate reputation. For a new election reputation plays an important role and it determines virtually their loyalty.

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THEORETICAL CONSIDERATIONS CONCERNING DISTANCE CONTRACTS IN FINANCIAL SERVICES

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ABSTRACT:
Distance contracts allow consumers to purchase products or services to benefit from a greater choice. Likewise, remote communication techniques allow consumers to avoid movement, but also to reflect on a contract already concluded.

Legal relations away undesirable, however, that there is good contact with the consumer wishes to purchase.

Likewise, consumers may not know until the information provided professional, good faith so it plays an important role in the conclusion and execution of the contract.

Contract Financial Services is a variety of distance contract (governed by Ordinance no. 130/2000) distinguished mainly by its object. As a particularity, an important place in the study of distance contracts in financial services occupy pre-contractual obligation of information, along with the notion of unilateral termination of the enforcement and termination of such contracts.

Keywords: contracts, information, consumer, supplier, withdrawal

1. INTRODUCTION

The main piece of legislation in this field is O.G. No. 130/2000 on consumer protection in the conclusion and execution of contracts away.

According to art. 1 ordinance regulates the conclusion and execution of commercial contracts away from providing products or services professionals and consumers.

Distance contract is a contract for the supply of goods or services concluded between a trader and a consumer, in a system organized by a professional who uses exclusively before and after the completion of the contract, one or more techniques distance communication (art. 2).

Specific elements of the distance agreement is using the technique of distance communication before and at the end of the contract.

Remote communication technique is represented by any means that can be used for the conclusion of the agreement between the trader and the consumer and does not require the simultaneous physical presence of both parties.

The annex shows the list of remote communication techniques, namely printed not addressed, printed addressed a letter typed, printed advertising order form, catalog, telephone with human intervention, without human intervention telephone, radio, videophone (telephone with picture ), videotext (microordinator screen TV with keyboard or touch screen), electronic mail (e-mail), fax, television (teleshopping).

From the above, we note that some of the techniques listed in the text of the law allowing direct communication between the parties, such as telephone, videophone, videotext.
The manifestations of will that lead to the conclusion of the contract is performed at the same time.

It follows that one cannot equate the distance and the contract between absent, as regulated common law. As discussed in the first chapter, the contract between "people apart" implies the existence of a time lag between the manifestation of will of the parties.

Note that the list that includes remote communication techniques illustrative purposes only. Thus, it was shown that grammatical interpretation is not sufficient to be considered other methods of interpretation, such as the historical-teleological inferred from the provisions of the EU Directive.

In conclusion, the professional may, in principle, any technique for remote communication with the consumer's consent. But if the consumer expressly manifested, it may prevent the use of certain techniques of remote communication. Thus, the use of other communication techniques remote individual is not allowed if there is a refusal expressed by the consumer (art. 16 of the Ordinance).

The law provides some "limitations on the use of certain means of distance communication" cases "requires the prior consent of the consumer." Limitations provided by law concern: automated call without human intervention (automatic calling), (fax) e-mail and addresses (e-mail). Above exceptions are justified by the interest to protect the consumer against excessive use of these techniques for providing products or services.

According to art. 6 of O.G. No. 130/2000, the provisions of the Ordinance shall not apply to the following contracts:
- contracts for financial services (regime of distance contracts covering financial services is regulated by Government Ordinance no. 85/2004);
- contracts through vending machines or automated commercial premises;
- contracts concluded with telecommunications operators for use of public telephones;
- contracts for the construction and sale of immovable property or relating to other immovable property rights, except leases;
- contracts concluded at an auction.

The law also have partial exceptions. Thus, only certain provisions of O.G. No. 130/2000 are removed from the application. For example, provisions such as those relating to: prior information, the right of withdrawal, etc., are not applicable to contracts for:
- Sale of food, beverages and household products used in household regularly supplied by the retailer to the home, residence or workplace of the consumer;
- The provision of accommodation, transport, supply of meals, leisure, where the trader undertakes by contract to perform those services on a specific date or within a specified period.

Ensuring consumer protection is achieved in terms of GO No. 130/2000 and the provisions concerning the law applicable to the contract. If the parties choose the law applicable to the law of a State which is not a member of the European Union and the contract has a close connection with the territory of Romania or other EU member states, and the law is more favorable to the consumer will be applied it.

With respect to the professional performance of the contract must fulfill the contractual obligations within 30 days of the date on which the consumer forwarded his order, unless the parties agree otherwise.

If agreement cannot execute because the product or service is not available, the professional must inform the consumer about the unavailability and the amounts that it has paid the payment be reimbursed within 30 days. The 30-days limit is a legal term which must be done by a professional obligation.
The purpose of the 30-day regulation is to avoid delaying the execution performance, especially because the consumer does not, in principle, the possibility to make direct approaches to professional.

This provision is specific consumptions law because the common law does not set a deadline to be executed contract. Because the provision is lightness (also to the consumer) does not exclude the possibility of the parties to establish another term for contract performance. The period of contract performance may be lower or higher than 30 days.

The 30 days is calculated from the date on which the consumer forwarded his order. Note that this time is prior to the conclusion of the contract and later known by the professional. Deadline of 30 days of interest in terms of professional contractual liability. The dealer may be held liable only if they do not meet the legal terms.

Professional can provide the consumer with a quality product or service at a price equivalent to those required only if this was stipulated in the contract, so that consumers be clearly informed about this possibility. Otherwise, the provision of products or services similar to those requested will be treated with free delivery order.

The costs of returning goods, if the exercise of the right of withdrawal, are in this case the trader, element on which the consumer must be informed (Art. 11 para. 3 of the Ordinance).

Consequently, if the product or service is not available, the contract will be terminated after previously consumer was informed (on the grounds that the good or service has become unavailable for reasons beyond the professional). Otherwise, it puts the issue of liability for non-contractual obligation.

Only exceptionally can be delivered goods or provided services equivalent when the contract was provided for this possibility. The costs of returning goods, if the exercise of the right of withdrawal, are in this case the trader, element on which the consumer must be informed.

The consumer must be protected against fraudulent use of credit card. The art. 13 provides that the payment amounts paid to the consumer must be repaid according to the regulations that payment systems.

The main obligation of the consumer is paying the price of the product delivered.

The consumer is not bound to pay the price, to bear the costs of returning the goods received, only when there is agreement to deliver its goods. In this case and based on the principle of unjust enrichment, but the consumer cannot refuse return the goods.

Failure to inform the consumer about the effect that the right to withdraw property without prior order as delivered. This penalty occurs when the trader informed about the right to terminate before the contract according to art. 3 and confirmed the information when all the aim set by law is reached.

The costs of returning goods, if the exercise of the right of withdrawal, are in this case the trader, element on which the consumer must be informed (Art. 11 para. 3 of the Ordinance). Please note that the product is considered delivered without prior order in case of failure to inform consumers about their right of withdrawal consumption.

Under common law, the contract is terminated by executing agreement of the parties, withdrawal, expiry fulfillment or, where appropriate, non-compliance, fortuitous impossibility of enforcement, as well as any other cases provided by law (art. 1321 Civil Code) . The right of withdrawal is a typical contract termination consumption.

According to art. 7 paragraph. 1 of the ordinance, the consumer has the right to terminate the distance, within 10 days without penalty and without giving any reason. As an exception, the only costs that may fall to the consumer is the direct cost of returning the goods.
Period of 10 days prescribed for the exercise of this right shall begin:
- products of their receipt by the consumer;
- for services from the day of conclusion.

If the trader fails to convey consumer information required by law deadline for withdrawal is 90 days and starts:
- products of their receipt by the consumer;
- for services to its conclusion.

If during the 90 days statutory information are provided to the consumer, within the 10 days for withdrawal shall begin from that point.

After exercising the right of withdrawal by the consumer, the professional has an obligation to repay the sums paid by the consumer free of charge from the repayment of amounts. Reimbursement will be paid by the consumer within 30 days from the date of termination of the contract by the consumer (Art. 8 of the Ordinance).

If that product or service subject of the contract, the professional consumer credits with the withdrawal right away cease and the contract of credit without penalty to the consumer.

We conclude by mentioning that not all contracts are subject to special withdrawal rights of the consumer. Thus, according to art. 10 of O.G. No. 130/2000, unless the parties have agreed otherwise, certain "types of contracts" cannot be terminated unilaterally by the consumer. Belong to this category, contracts for the supply of services whose implementation has begun before the expiry of 10 days; contracts for the supply of goods or services whose price depends on fluctuations in the financial market; contracts for the supply of newspapers, periodicals and magazines; service contracts betting or lotteries etc.

2. PARTICULARITIES OF DISTANCE CONTRACTS FOR FINANCIAL SERVICES

The main legal act in this matter, is O.G. No. 85/2004 on consumer protection in distance contracts conclusion and execution of financial services.

Ordinance regulates mainly "consumer information requirements for the conclusion and execution of distance contracts for financial services".

Distance contract from providing financial services concluded between a supplier and a consumer under a distance selling system or a service delivery system organized by the vendor that uses exclusively before and after the completion of the contract, one or more means of distance communication (Art. 3).

Parties distance contract for the provision of financial services are: the supplier and the consumer.

Supplier is any legal or natural person, public or private, authorized by law, which in course of his business or trade a provider of financial services stipulated in the contract. The consumer is any individual or group of individuals constituted associations that, in contracts covered by this ordinance, acting for purposes outside their trade, business or production, craft or profession.

When concluding the distance contract for financial services is subject to confirmation upon receipt by the consumer, on command. (Art. 8).

Note that when the contracts for financial services include an initial service agreement followed in the execution of financial operations for successive or series of separate operations that can be considered as a whole, the O.G No. 85/2004 are applicable only to the original contract.
As an exception to the above rule when there is no initial service agreement, but between the same contractual parties runs, spread over time, successive operations or separate operations of the same nature, the relevant provisions of the Ordinance apply only when the first operation is performed.

3. PRE-CONTRACTUAL OBLIGATION OF INFORMATION

The inform obligations in financial services legislative grouped by supplier and product identification, contract terms and dispute resolution.

- **Information on the supplier and product identification**
  According to art. 4 of the Ordinance, at the time of supply, the supplier is required to inform the consumer timely, accurate and complete with respect to:
  - name of the provider, type of organization, its core business, the registered office or, where appropriate, residence and how to contact it, etc.;
  - name of the representative of the country where the consumer resides, their main office address or, where appropriate, its residence and how to contact;
  - name of the intermediary, the capacity in which it acts in relation to the consumer's address or, where appropriate, its residence and how to contact him, phone/fax, e-mail, the trade register in which the recorded unique registration code when treated with an intermediate consumer.

  Information on financial service to be provided must be provided to the consumer by timely, accurate and complete, the following:
  - description of the essential characteristics of the financial service;
  - the total amount the consumer it has paid for the financial service, including all fees, charges, additional costs or expenses and all charges, payable directly to the consumer or paid by the supplier;
  - particular risks associated with financial services or contracting their specific characteristics or on the possibility of a change in the total price by the financial markets or stock;
  - the existence of additional fees or costs that are not paid via the supplier or imposed by him;
  - any time limit or date by which the information provided is valid;
  - payment and payment realization;
  - additional costs resulting from the use of this means of remote communication, if levied by the supplier.

- **Information on contractual terms**.
  According to art. Art. 4 para. 3 of the ordinance, the information provider must include contractual information regarding:
  - existence of the right of withdrawal and the consequences of failure to exercise this right;
  - practical arrangements for exercising the right of withdrawal (eg, indicating the address to which notice may be sent withdrawal);
  - the minimum duration for which the contract is concluded at a distance, to the provision of financial services on a permanent or regular basis;
  - the right of the parties to terminate the contract under a contractual term.

  Note that the information on contractual obligations will be communicated to the consumer in the pre-contractual stage. This information shall be in accordance with the law applicable to contractual obligations of the contract, if concluded.
The provider must notify the consumer contractual terms and conditions in writing, on paper or on a durable medium available and accessible to the consumer in good time before it have obligations resulting from the signing of a contract.

When, at the express request of the consumer, the contract was terminated by the use of means of distance communication which does not allow completion of the procedure prior information, the provider will fulfill these obligations immediately after conclusion of the contract. Throughout the contract, the consumer has the right to request the communication conditions and contractual provisions on paper.

Complementary, the consumer has the right to change the means of communication used, unless the chosen medium is incompatible with the contract concluded or the nature of the financial service provided.

- Information on litigation.

The provider is obliged to provide the consumer with information on ways to solve the disputes between the parties, namely:

- extrajudicial procedures prior to referral to the court by the consumer, who is a party to the contract;
- guarantee funds or other compensation arrangements;

The above information must be communicated in a clear, easily understood by the consumer, by any means adapted the technique of distance communication used, with due regard to the principles of good practice in commercial transactions and the principles governing the protection of minors and other persons lacking legal capacity, and the principles of morals (art. 4 para. 4 of the ordinance).

If the means of remote communication is phone or any other means involving direct speech at the beginning of the call the supplier is required to inform the consumer, completely, correctly and accurately on: identification data and the commercial purpose of the call.

After obtaining the express consent of the consumer, the supplier must submit only the following information:

- identity of the person who contacted the consumer;
- essential characteristics of the financial service;
- the total amount the consumer it has paid for the financial service, including all fees, charges, additional costs or expenses and all charges, payable directly to the consumer or paid by the supplier;
- the existence of additional costs that are not paid via the supplier;
- the existence of the right of withdrawal.

The supplier is obliged to inform the consumer that other information is available on request.

Note that the obligation to inform the consumer or the supplier cannot be removed by invoking commercial or professional secret and cannot be limited or removed by a contract.

4. WITHDRAWAL CONTRACTS FOR FINANCIAL SERVICES

The consumer has the right to withdraw from the distance contract within 14 calendar days without penalty and without giving any reason necessary.

In the case of distance contracts having as their object of life insurance and pension contracts relating to individual transactions, the time in which the consumer may exercise the right of withdrawal is 30 days (art. 9 of the Ordinance).

The period of withdrawal shall begin:

- the day of the conclusion of a distance or
- the day on which the consumer receives the contractual terms and conditions and the information provided by law.

According to art. 11 para. 1 of the Ordinance, entitled withdrawal does not apply to financial services such as foreign exchange transactions; money market instruments, including government securities with a maturity of less than one year certificate of deposit; securities; units in collective investment undertakings; financial futures, including equivalent cash-settled instruments; forward rate agreements; interest rate swaps, currency and shares; options on any financial instrument (including equivalent of settled instruments).

The right of withdrawal does not apply to:
- travel insurance policies for baggage or other short-term insurance policy with a maximum period of one calendar month;
- contracts fully executed by both parties at the express request of the consumer.

To exercise the right of withdrawal, the consumer shall notify the provider of its intention before the period provided by law, by any means which can be proved.

Where a distance contract for a service communicates ended and another distance contract for the services provided by the supplier, mainly withdrawal causes additional termination.

If the consumer exercise the right of withdrawal may be requested payment without undue delay, the expense related to the service already provided in accordance with the contract, at no additional cost.

Expenses "related to" the consumer will not:
- exceed an amount determined in proportion to the period in which the financial service was provided;
- be provided as payment if the amount can be considered as a penalty.

As an exception to the above rule, in case of termination of the insurance contract, the consumer shall not be liable for expenses (art. 13 par. 3 of the Ordinance).

To be paid expenses payable by the consumer, the supplier must prove that the time was informed on their payment obligation.

Within 30 calendar days of receiving notice, the supplier is obliged to refund any amounts received without delay under the contract. The 30 days starts from the day the supplier received notification of withdrawal.

Also within 30 calendar days, the consumer is obliged to return to the supplier any amount or goods which have been supplied by it. Period stipulated in favor of the consumer run from the day the consumer sent withdrawal notification.

5. TERMINATION OF CONTRACTS RELATING TO FINANCIAL SERVICES

After you apply the distance for effective financial services (like any other contract). During performance of the contract obligations of the parties generally have some specific features of a distance, and especially those who provide financial services. For example, using remote communication techniques such as automated calling system without human intervention call type machines, facsimile or fax, requires the prior consent of the consumer.

Note that the use of other techniques for individual communication distance than those prescribed by law is not allowed if there is a refusal expressed by the consumer (Art. 17 para. 1 of the ordinance).

By law, contracts for the provision of financial services to remote may not, even with the consent of the consumer's waiver clauses consumer's statutory rights, whether express
consent (art. 21 par. 1 of the ordinance). It follows that the provisions granting consumer rights in distance contracts concerning financial services are mandatory.

Consumers have the right to request termination of the contract if the supplier does not comply with the obligation to communicate fully, contractual terms and conditions and the information provided by law, without penalty and without charge (art. 20 of the Ordinance).

Burden of proof of fulfillment provider of consumer information and the consent of the consumer to the supplier conclusion falls.

The provisions on the burden of proof has also imperative. Thus, any contractual provision by which the burden of proof of compliance by the supplier of some or all of its obligations under this ordinance is attributed to the consumer will be considered unfair (art. 24 par. 2 of the Ordinance).

In addition to the rights provided by law, consumers can also make claims and complaints in defense of their interests to resolve disagreements related to the conclusion and performance of distance contracts for financial services.

Competent authority to resolve consumer complaints and complaints arising from the conclusion and performance of distance contracts for financial services is the National Authority for Consumer Protection.

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