Science is dead. Long live knowledge!

More research generates more results, but do we have more knowledge?

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Etymologically, science comes from the Latin word “scientia” (“knowledge”) and it describes a process of information generation considered as useful for making predictions or better and clearer images for future.

The modern world (and modernity as its ideological description) put Science instead of God, and scholars instead of priests. It seemed to be almighty and offered humanity a land of hope to improve its own existence. Science is very close to the industrial and capitalist era, but this era is already gone. What about science? Can we have the same ideology for new (postmodern) realities? Is science essentially or only formally the same as in 16th – 20th centuries? I think its essence is modified and we need another ideology for our “post” times. It is considered (see Wikipedia) as a “continuing effort to discover and increase human knowledge an understanding through disciplined research”. “Disciplined research” means not only a strictly ordered succession of steps in order to discover and increase knowledge, but is means a disciplinary approach and disciplined disciples. In ancient Aristotle times there were only a couple of disciplines (about 6). Nowadays we have almost 9.000! Is this dissipative process a useful one? If we share a certain truth/theory in thousands does it mean we have more knowledge? Or, otherwise said, do we really know more? I am skeptical about these things and I was happy to observe that unification theories are still constructed; even it is questionable if we may have a single/unique theory.

Interdisciplinary approaches generated a lot of new border-disciplines (biophysics, biochemistry, mathematical linguistics, bioethics, etc.). This process will grow the number of disciplines and will make more difficult any attempt to unify human knowledge. Of course, all this analytical segmentation of modern science generates an impressive trend to synthetic postmodern science. In the 50s, Pierre de Latille, a French science journalist warned us that science closed its era of analytical science is over, and a new era of synthesis is coming. Indeed, in the 60s, transdisciplinary approaches appeared and developed worldwide. A Transdisciplinary Manifesto was launched globally and the synthetic way of obtaining new knowledge spreads rapidly. It is almost a normal fact that transdisciplinary thinking is often confused with interdisciplinary approaches, but little by little true transdisciplinary visions came out and wait for being evaluated and accepted. Some disciplinary researches put the word “transdisciplinary” in title just because it is trendy… But this generates a lot of confusion. In a way this is quite similarly with adding the word “science” to “management”, to “socialism”, etc. just it was trendy do so. The result was that both the “scientific” socialism and “scientific” management disappeared and the science is more and more questioned.

The ideology of industrial revolution is already old fashioned, but its core concept – science – continues to be used as nothing happened. Modernity is replaced with postmodernity, but science is used in the same or in very similar ways. Modern science was disciplinary, analytical and segmented (like countries, and nations). Postmodern science (just to use this word for the last time…) is transdisciplinary, synthetical, and more and more unified (like humankind in a globalized world). From this very reason I proposed many times to give up the confusing word “science” and to replace it with the word “knowledge”. The (modern) science is dead, (postmodern) knowledge is already born and grown up! Transdisciplinarity is making a plea for unification not only of natural sciences and of humanities, but for the unification of these two separated fields of knowledge. (Nicolescu, 2008, pp. 13-23). Of course, old disciplines are very useful and necessary. The only thing to do is not to name any new discipline as “new science", just because this means to put an equal between “discipline” and “science” and to presume that any discipline is as scientific as any others.

On the other hand, the attribute “scientific” is too often used to cover many other things that are slightly tangential with truth, rigor and irrefutable proofs. If we try to put an equal between modern science
and knowledge, this is impossible just because knowledge includes spirituality and art, but “science” let them out.

My own view on applied transdisciplinarity to humanities (Drugus, 2008) is based on the unification of politics, economics and ethics defined in an original and ad hoc way, i.e. using only end-means binomial as a common core to all of them. The result is called End Means Methodology or the Politics-Economic-Ethics Continuum. It generated a new and integrated vision on human beings, without separating and opposing the political, economic and ethical classical considerations. To be clearer: nowadays, it is difficult to admit the convergence of the three disciplines just because economic field is confused with business for profit, political field is confused with political parties activity in election process and even with the state administration, and ethical field is confused with a set of immutable and given for eternity rules of behavior. My proposal to see all of them as a continuum was sometimes viewed old fashioned, as relativity physics already demonstrated that there is no continuum in (sub) quantum world. The same (I mean discontinuity) is in socio-human world, but I think it is quite useful to view the three former disciplines without any border among them. For example, when two firms merge, or two countries unite, the new reality is viewed as a continuum, i.e. without formal borders between them.

I used my own research as an example of transdisciplinary approach and I think that only lived transdisciplinarity is a true disciplinary vision. To apply TD formally may generate nothing or, at most, may generate confusion and futile complexity. In this respect I proposed to consider the old modern name of “science” is dead (i.e. un useful) and to use the very old postmodern term “knowledge” as more adequate and useful. A similar vision, although used in another sense, is that promoted by John Horgan (Horgan, 1996). He speaks about the end of science as it was conceived by official thinking as a way to find truth. Ending science means also that science fulfilled its end and discovered all it was possible to discover. This pessimistic vision was very criticized by those who are living from doing day by day research. Fact is a lot of research is without any practical result and means a big waste. Many times a lot of mimetic research is done for justifying funding or wages. I think a serious discussion is necessary to generate a common language and a convergent vision on what science, research and knowledge is.

Bibliography
Anghel Rugina - In memoriam

Anghel N. Rugina
...a man for all seasons

Nowadays, not only social science (economics included), but science in general is under fire. Reading the *End of Science* by John Horgan (see chapter *The End of Social Science*) one may think again if there is still acceptable to teach students a lot of *scientific* methods that finally proof to be simple opinions, and not rules to be strictly applied. To have an inside criticism on different purposes and techniques used to attain them in research is a big chance not to experience again crisis, conflicts or catastrophes.

The young Rugina was not a leftist critical thinker, but living in the States he was able to enter dialog on economic and social systems (see *American capitalism at a crossroads*, 1976, Exposition Press, Hicksville, N. Y). Ideologically, he was not an entirely sympathetic or uncritical view of the writings of Walras, Marx and Keynes (among others). Eucken was a source of inspiration for him and it was probably during Rugina's association with Eucken at the University of Freiburg i.Br. during 1944-1948 that what Rugina later called a *new research programme* was conceived.

New research programmes, new methodologies and new visions - here are the kind of thought Rugina generously created and spread all over the world. All these generated ISINI, a society to promote new ideas.

I have met Rugina in August 1990 at Paris at the first ISINI Congress. In December 89 I have received a new issue of a Soviet journal, the few *foreign* ones a thirsty for knowledge Romanian researcher was afforded to. These Soviet journals offered reformist socialism and not Stalinist communism, so they seemed to me quite fresh and new! But the big novelty for me was to read an invitation to a Congress in Paris. The Call for papers was signed Anghel N. Rugina - a name I've never heard before. The replacement of Ceausescu with the *young wolves* was an announced death some years before, but the freedom *to get out* was really a huge event for me. I've written to Rugina and I was surprised to receive a long and warm letter inviting me to participate.

Paris, summer, 1990. All shared a general enthusiasm for the fall of oppressive state socialism. Amidst this enthusiastic atmosphere a really bright and optimistic figure: professor Rugina. He wrote a lot of optimistic economic reform programs for almost all former socialist countries, Romania, Republic of Moldova and Soviet Union included. Many characterized them as utopian for the proposal of coming back to bimetallism, but the awkward inflation that followed after *revolution* demonstrated that in some countries bimetallism could be the solution for transition to normal economy. At least, this could be done for some years. Anyway, I criticized Rugina, at an ISINI Conference in Mexico, for lack of realism in his proposals. This consolidated our friendship, and he continued to give some advices in my *End Means Methodology* (EMMY), presented for the first time outside Romania in 1990, even it was too late to change something in my belief that this could replace all social sciences...

My idealism was so strong that I did believe that Rugina could come to ISINI Conference in Bucharest. But Time was impatient and Rugina died in December, 15th last year. I've talked to him by telephone some months before and he promised me I am free to translate and publish all his work. But these were only the last illusions. Still today I do not know who the testamentary heir for the property rights is. I think that all his writings deserve to be collected and published in a special final edition, firstly in English, then in any other language.

Also, memories of those who knew and met him are really important to have a good model for future research. I wait for them thanking in advance.

Of course, Rugina is a (great) social economist and many of us do not share all his visions, but I think the common denominator for all ISINI members is to openly discuss any new ideas able to improve future research approaches. Question is: is someone who not wants a stable, free and moral economy? Except dictators, I suppose not. Problem is still without solution, since a lost of unstable economies in the world generate nowadays immoralities and lack of real freedom. Thinking economics, politics and ethics as a continuum, teaching all these as a single subject to the future leaders and managers may be part of a solution.
Due to the big efforts of the Governor of the National Bank of Romania, acad. Mugur Isarescu, the remains of our founding father were brought in Bucharest and buried in Bellu Militari cemetery.

Rugina left us not only ideas and a sum of books, but he left us ISINI as an excellent laboratory for new ideas. Let honor his name by using it properly!

God rest him in peace!

About Rugina
Romanian
http://ro.wikipedia.org/wiki/Anghel_Rugina
http://bacaui.ro/anghel-rugina-doctor-honoris-causa-universitatea-bacovia-773

English
The Three Paths of Inquiry in Economics, some Questions

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Keywords: methodology, formalism, heterodoxy, historical specificity

Abstract: The unrelieved state of dissatisfaction about the right method of inquiry seems to have become a characteristic of the philosophy of social science. Economics has played a crucial role in the modern extensions of the debate. The echoes of Methodenstreit remind us about one unfinished goal ahead, namely the search for historical specificity in the study of social phenomena. The task of this study is to discuss the degree to which such a claim is valid. After reviewing the existing scholarship, the argument comes down to a simple thesis: a successful test of the scientific exercise in the study of social phenomena is not associated either with its degree of formalism, or its predictive power, or still with its capacity to unearth causal relations; it is specifically about understanding the sequential classes of events that affect human development and that undergo historical and cultural transformations under the influence of short-lived, recurrent events.

Introduction

For Ibn Khaldun (1332-1406), the monumental edifice of ancient Greek science, which his contemporaries revived and eminently improved upon, did not possess the relevant epistemic discourse to make sense of the rise and fall of civilizations. He consequently proposed a new science of “human social organization, growth, and development” (Al-Araki, 1983) based on the concept of social cohesion or group feeling in which a good many of present sociological inquiries may find their intellectual roots. Giambattista Vico (1668-1744), “the inventor of the first anti-modern social science” (Lilla, 1993: 6), opened more widely the assailable front to include this time not only the antique wisdom, but also the then emerging influential Francis Bacon’s empiricism and René Descartes’ rationalism. He too devised a scienza nuova to answer, “How is it possible to universalize the political experience of a nation whose supreme virtues were its indifference to universal categories in politics and its firm attachment to the particular and contingent?” (quoted by Lilla, 1993: 127; emphasis added)

With Vico, the discontent entered its modern phase and has since continued with or without acknowledgement of filiations through a rich scholarship. In its broadest form, it resides in a restless aspiration to winnow law-like, recurrent from contingent, accidental events; to leave aside the naturalist claim for all-encompassing explanations and look instead after meaningful conceptual analyses that ought to reveal what makes and what does not make sense in the scientific treatment of human world phenomena.

Economics has played a crucial role in the modern extensions of the debate. This area of study prompted by the turn of the nineteenth century (ca. 1870) a sweeping controversy over methods—Methodenstreit — which began between the economists of the German historical school and those of the Austrian marginal utility school and soon engulfed disciplines from the whole social spectrum. After the passions faded out from limelight, powerful far-off echoes however reached over decades. Apart from theoretical queries, its epistemic language bequeathed essential terms of the modern discourse such as ‘historical economics’, ‘moral sciences’, ‘cultural sciences’ (cf. Huff, 1984: 28; Hodgson, 2001) and proved instrumental in the 1929 launch of Annales d’histoire économique et sociale, in the sense that the two founding historians (Marc Bloch and Lucien Febvre) deliberately borrowed the title of one of the German historical school’s reviews—Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte. The Annales school approach was significantly important to such fields of study as economics and historiography in the 1970s.

1 This is an extended and adapted version of the argument partly developed in Valentin Cojanu, “The logic of inquiry in social science, the case of economics in particular”, Social Science Information, 48:4 (December 2009).
(Braudel, 1976), archaeology and anthropology in the late 1980s and early 1990s (Lucas, 2005: 15), and is resuscitated these days through a widespread cultural turn in the philosophy of social science (see Abbott, 2001: 104 ff; Sewell Jr., 2005). As will become evident later on, the Annales paradigm of social temporality stays at the core of the ongoing epistemic reconstruction in social sciences.

The echoes of Methodenstreit remind us about one unfinished goal ahead, namely the search for historical specificity in the study of social phenomena. The task of this study is to discuss the degree to which such a claim is valid. The review of the existing scholarship makes this endeavor only more challenging. To preview the substance of the discussion, it suffices to note that two representative accounts on the subject (i.e. Hands, 2001 and Wallerstein et al., 1996), each giving preference to a radically different epistemic reconstruction, have been received with literally the same acclaim: if one wants to read only one book about philosophy and the social sciences then this is the book for her (cf. Philip Mirowski, book endorsement to Hands, 2001, and Fay, 2006). How to make sense of historical specificity is indeed one provocative question.

The claim of appropriating historical as a particularly appropriate attribute in the epistemology of science sounds somewhat superfluous. Historical representation after all is revealed by recourse to a linear chronology of events, one following another in an irreversible sequence, and it is in this sense that one understands natural or economic or social history. However, the choice shouldn’t come much as a surprise at least for the reason that Historia was originally identified with “critical inquiry” (Windelband, 1912: 57-65; Teggart, 1916; Topolski, 1976: 47, 55). It was not until the advent of the Middle Ages that one began using the term to emphasize a narrative depiction of past events (Topolski, 1976: 47) which in fact is the customary equivalent to our definition of the study of history. But there is a second, more profound reason that should make us think of social evolutions in terms of historicity. To arrive at my argument I will start within the very realm of the classical view of the logic of scientific inquiry to show why and how it approaches its limits when deals with the subject of social phenomena. There remain two other paths to knowledge that will be discussed in turn: the middle-range theorizing and the approach to social science as a unitary domain. The paper concludes by reviewing the challenges ahead.

**Questioning the paths of inquiry in economics**

In its basic form, the word science simply means ‘systematic inquiry’ following the German conception of science—Wissenschaft—as formulated in the eighteenth century to denote the informed study “directed toward the augmentation of knowledge in one specific area” (Stremlin, 2004). To this description, some will also add the prerequisite that the scientific product be useful in practice and convincing (Ritchie, 1958: 55; Gerring, 2001: 19), but all will unanimously agree on two other building epistemic blocks: a methodological component, i.e. a way of reasoning for stipulating the criteria of proof, as well as techniques for exposing the end-product to the rational scrutiny of his conclusions; and an ontological component, i.e. a description of the knowable objective world whose truth and meaning are to be revealed through the scientific process. It is these two epistemic blocks—the method and the subject matter—that give rise to controversies about the nature of science.

One century before K. R. Popper set forth his falsifiability test, the embracing of formal logic had so become the demarcationist standard avant la lettre in discerning between science and nonscience. Napoleon bestowed the privilege of the elite class in scientific knowledge to natural scientists alone (Stremlin, 2004), whereas in 1877, Francis Galton recommended the exclusion of ‘statistics and economics’ from the British Association for the Advancement of Science because their “papers were not up to acceptable scientific standards” (Moggridge, 1997: 345).

Reasoning from hypothesis to result also produces by consequence two other defining elements of scientific inquiry: the explanation of causality and the possibility of prediction. Science follows the same logical procedures as long as truth, be it analytic or synthetic, is revealed within the epistemic boundaries of causation and predictability or lack thereof. Questioning the all-encompassing validity of the formal logic has typically prompted three kinds of reactions: unconditional belief in its power of explanation, skepticism in the form of “middle-range theorizing”, and noteworthy constructive criticism. I will consider them in turn.

**Formalism**

For the first camp, the Cartesian dream of mathesis universalis is what gives science its unitary logic. Any claim to doubt its relevance for the whole spectrum of scientific inquiry has only stirred irritation or disdain. When reviewing J. Neville Keynes’ Scope and Method of Political Economy (1890), an erudite account of what would be called later methodological pluralism, F. Y. Edgeworth remarked in 1891, “We cannot conceal a certain impatience at the continual reopening of a question on which authorities appear to be substantially, if not in phrase, agreed” (quoted by Moggridge, 1997). About the same time, Henri Poincaré in similar confident manner proclaimed, “The natural sciences talk about their results. The social sciences talk about their methods” (quoted by Gerring, 2001: xix), a credo which four decades later metamorphosed into Paul Samuelson’s emblematic verdict for the would-be economist: “Those who can, do science; those who can’t prattle about its methodology” (quoted by Hands, 2001: 1).
Although what the defenders of the formal logic have in mind about being the right approach varies considerably, at some point however, set-theoretic formalism—a methodological expression which “has developed from an analysis of mathematical reasoning, and is rarely followed outside logic and mathematics” (Kesting and Vilks, 2004: 285-7)—had unambiguously become the predominant approach in economics, in spirit if not ad pedem litterae. An illustration of it one may get from the classic text of Gerard Debreu (1959), the 1983 Nobel Prize winner for having incorporated new analytical methods into economic theory:

> “An economy $E$ is defined by: for each $i=1,…,m$ a non-empty subset $X_i$ of $\mathbb{R}^1$ preordered by $s_i$; for each $j=1,…,n$ a non-empty subset $Y_j$ of $\mathbb{R}^1$; a point $\omega$ of $\mathbb{R}^n$. A state of $E$ is an $(m+n)$-tuple of points in $\mathbb{R}^n$.” (75)

To paraphrase one Dickensian character in Dombey and Son, the value of this depiction of economic reality seems to have been estimated in proportion to the immensity of the difficulty one experiences in making anything out of it. If one asked what meaningful policy initiatives could emerge out of this theorizing, she could be in conventional terms replied with the words of Daniel McFadden, a 2000 Nobel Prize winner for his development of theory and methods for analyzing discrete choice: “the consumer may need to be coaxed and wheedled into responding to market choices with sufficient diligence” (quoted by The Economist, 2006: 76). If our theory fails to explain economic behavior is not the economists’ fault, would thus be the obvious inference, a rephrasing of Milton Friedman’s argument that the realism of assumptions is irrelevant in the scientific pursuit.

It is necessary to append here that the formal method refers to a bundle of analytical techniques, like controlled experiments, game theory or computer simulations, which may or may not consist of mathematical calculus, but have of necessity in common the logic based on a set of algorithmic presuppositions that are deemed to lead to the same results as long as they are presumed to hold true. We are constantly reminded from Edgeworth’s time on that “mathematical modeling is essential and is here to stay” (Dasgupta, 2002). This paper is justified precisely on the ground that this false perception of having arrived at a settled issue is the very one which delays the necessary reconsideration and facilitates the continued immersion in the realm of formal logic.

**Pluralism**

The mainstream view has been nevertheless under attack since the 1960s and 1970s and one emerging option has been to find a middle-way between the poles of scientific inquiry which, on the one hand, regard the facts of knowable world as naturally constant and universally true and those which, on the other hand, regard them as historically contingent and specifically social. As is well known, Adam Smith is as much cited by the orthodox camp in support of free market ideology, as is by the heterodox one to argue for an interpretive position. The ambivalence is presumably rooted in two modes of appropriating the classical logic. First comes a certain perception that there is nothing wrong with formalizing per se; a second issue regards our failure to escape the classical boundaries of a logic that adds only thin layers of knowledge about the social happening. Herein lay the origins of the pluralistic methodological universe.

Pluralism recognizes that mathematics “is a partial method and requires combination with other methods in order to construct a complete argument.” (Dow, 2002: 160) How would this argumentation look like? The only seeming methodological alternative, in the line of such predecessors like J. Neville Keynes (1890), consists of the appeal to no unique method. The right blend of techniques is assembled from the available toolkit and applied according to the research objectives in need. In a typical case, explains Dow (2002), the economist may find herself in one of the following situations: to focus on case studies, questionnaire surveys to find out the (subjective) knowledge of the individuals concerned; to focus on aggregate data series and employ historical methods as a basis for theory construction; to employ mathematics based on classical logic; finally, “someone else who sees individuals more as social beings may employ a different logic, which may or may not allow for mathematical expression.” (159; emphasis added)

What we end up with consists, on the one hand, in a revised theoretical framework, making room for a plurality of theories instead of one all-encompassing, grand theory; on the other hand, the gain in adaptability comes only at the expense of consistency and clarity. The same subject matter, say integration, may yield a confusing picture when mixing beneficial effects of integration, a regular causality in formal models of trade, with political quid-pro-quos in advancing the integrative processes, a regular causality in case-study based analyses. Inciting though it is, the admission of a possible different logic is advanced in equivocal terms, for if the topic of study did not allow ‘mathematical expression’, why would it be a different logic at all as long as, we are informed in the same context, “one of the purposes of theorizing is to provide policy makers...with predictions about the future, and about the likely effect of particular courses of action” (Dow, 2002: 13)? That is why pluralism resembles rather a paternalistic approach to epistemology, a sort of methodological indecisiveness that becomes by default the approach of choice for heterodoxy (cf. Fulbrook, 2004).

The effort to instill more methodological consistency has lately resulted in a distinct strand of conceptualization identified with the description of mechanism as the central analytical unit in the social study. A comparative view of the existing scholarship as discussed for example in Reiss (2007) and Weber...
(2007) depicts a widely shared belief that the pluralist universe should be understood within the epistemic boundaries of counterfactual analysis (‘as if’ reasoning) applied to multi-structured layers (‘higher’ and ‘lower’ levels) of reality. The complex web of social relations is not easily amenable to mathematical formalism because it is mainly revealed in idiosyncratic behavior of the components of the social whole, i.e. individuals, groups, and institutions (see also King, 2006).

There is one significant step forward that distinguishes this last variant markedly from mere criticism against formalism: it positions the researcher in front of a different structure of social reality, one that may consist of event regularities, but more often than not exhibits chains of conditionality and dependency embedded in inherently unpredictable evolutions. Lawson (2003) captures the essentials of this thinking when describes it “on the basis of analogy and metaphor amongst things, from a conception of some phenomenon of interest to a conception of some totally different type of thing, mechanism, structure or condition that is responsible for the given phenomenon” (145). In other words, the mechanism is not simply viewed as method; it carries over the design of a new ontology as well.

The prefigured epistemological implications are not however stretched much further for they continue to adopt the classical representations of subject matter and causal explanation (e.g. Lawson, 2003: 24, 143), and the goal of a new logic remains again unfulfilled. Quite distinctly, a separate route of argumentation suggests, it is possible to preserve methodological consistency within a different epistemological context.

A unitary social science

For the supporters of a unitary social science, the central argument holds that the rejection of formalism as the main methodological ingredient makes sense if and only if we are also able to redefine our subject matter in a way which is universally accepted by social scholars.

Of course, the main challenge is to give an account of a subject matter that could stand as a meaningful representation for the whole spectrum of social sciences on the same logical footing in which the recurrent fact and the law-like event epitomize the study of natural realm. Without doubt, if the current dissatisfaction is justified, the search for a new paradigm should be a process in deciphering the complex texture of social events, with the important caveat though, that not all human manifestations get a meaning as subject matter of social sciences.

The quest for historical specificity has been early on revealed as one defining feature of social science but, in spite of its incontestably long legacy, has failed to take off as a serious rival epistemology to formal logic. Its beginning is usually associated with the emblematic figure of Giambattista Vico, a resolute adversary of both modern scientific methods, “both futile and dangerous” (Lilla, 1993: 57), and pluralism, “interminable archaic digressions” (Lilla, 1993: 7). A similar scale of conceptualization was made possible anew only at the turn of the nineteenth century with the emergence of the works of Droysen (1858), Cournot (1871), Dilthey (1905), Xenopol (1908) or Windelbandt (1912). These were exemplars of logic of historical inquiry distinctly justified by the need to reveal the meaning of the sequence of historical facts, of their particular, long-lasting consequences rather than their causes. The dichotomy between explanation (Erklärung) and understanding (Verständnis) was emphasized as separate methods of scientific inquiry, and, by implication, the distinction between sciences of events, Ereigniswissenschaften, and sciences of laws, Gesetzeswissenschaften became the new guiding light in the heterodox tradition of the philosophy of social sciences.

The momentum had been gained and it was the Annales School which set in its own terms the rival paradigmatic approach to the logic of science for the decades to come. A fair good part of its initial rise to prominence was dominated by efforts to enrich the intellectual legacy with such new conceptual thinking as ‘geographical time’ from the works of Paul Vidal de la Blache (1845-1918), ‘social time’ from Henri Pirenne (1862-1935), ‘structural history’ from Gaston Roupnel (1871-1946), or ‘world-economy’ inspired by the works of Friz Röig.

This long effort of conceptualization finds its ultimate expression in the works of Fernand Braudel in the 1960s and the 1970s, accompanied by those of Immanuel Wallerstein in the 1980s and the 1990s. Against the classical representation of time as a uniform, linear phenomenon, Braudel opposes a social temporality by recourse to multiple temporal scales of analysis dominated by la longue durée, a key epistemological tool for social science used to describe the eternal truths of social reality in contrast with particular and nonreplicable events. Inquiry in social sciences becomes in this tradition essentially connected to the cultural interpretation of time. Societies may evolve at different temporal rhythms, and assess their trajectory within the boundaries of their own representation of historical events. That is why the object of our study, say, an archeological finding, may be found simultaneously at the confluence of research interests from exact science, relative to age determination by carbon dating, social science, relative to its ethnographic significance, and humanities, relative to its artistic value.

At the end of this tumultuous lineage, one may configure the basics of what appears to be a different method of proof, a proof on the meaning of social reality. “A fundamentally different reality may require a different theory. This, in rough outline, is the problem of historical specificity.” (Hodgson, 2001: xiii)
Conclusions

This material focused on three major perspectives—i.e. formalism, pluralism, and a unitary social science—of the existing scholarship with regard to the methodological explorations in economics and social science in general. The argument comes down to a simple thesis: a successful test of the scientific exercise in the study of social phenomena is not associated either with its degree of formalism, or its predictive power, or still with its capacity to unearth causal relations.

One may hardly conclude about a positive solution to this methodological conundrum. The converging ideas in the heterodox tradition nevertheless indicate that a potential clarification may take the form of understanding the sequential classes of events that affect human development and that undergo historical and cultural transformations under the influence of short-lived, recurrent events. As with any other previous attempts, including the mainstream one, we may have to build up the missing epistemic reconstruction while ideas have to wait for circumstances to conspire in their favour as John Stuart Mill so wisely advised.

References

Metalingua – a Formal Language for Integration of Disciplines via their Universes of Discourse

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Key words: disciplines, semantic web, formal languages, logic, knowledge

Abstract: While the languages of classical logic express truth, metalingua is meant to express sense. This language is based on three abstractions - atomification, association and aggregation, which are regarded as fundamental, and due to this, in my previous publications, I have used a symbolic name for it, A3 language. This language offers a framework for describing artificial and natural languages and turned out to have an expressive power higher than the language of the logic of predicates. Therefore, in this article I gave it a full-fledged name - metalingua.

A strict discipline uses mathematical structures which are defined by mathematicians in terms of set theory and mathematical logic. The first domain of human practice which employs this situation is the next generation of web, the Semantic Web, with software, which simulates human understanding and stores knowledge in global knowledge bases. But the formal languages for knowledge representation are very complex for developers and are practically “unreadable” by non-technical people. The objective of my research was to find a simple knowledge representation language based on set theory. This required a revision of set theory and resulted in a theory of universes called universics - the language of universics turned out to be metalingua.

In a discipline, we are using structures from the discipline’s universe of discourse. Since all strict disciplines operate with mathematical structures, their universes of discourse are the same and coincide with the universe of discourse of universics. What makes one discipline different from another is the sense attributed to the structures within the universe of discourse. Due to this, metalingua can serve as a language for integration of disciplines by proceeding from their universes of discourse, all of which are part of the universe of discourse of universics.

1. Brain mathematics

Initially, I have developed metalingua as a symbolic language for denotation of the fundamental operations of mind. While artificial intelligence is preoccupied with study and modelling of intelligence, brain informatics is focused on study of the computing aspect of brain. I have introduced the syntagma brain mathematics for the research focused on mathematical operations presumably done by the brain as a physical carrier of intelligence (Drugus 2007). Thus, brain mathematics is supposed to denote the sub-domain of brain informatics, focused on the fundamental mathematical operations done by the intellect, where by “fundamental” I refer to those operations through which all other operations can be expressed.

A minimal set of mathematical operations irreducible to each other, but though which any operation of a larger class C of operations can be expressed, is said to be an orthogonal basis of the class C. As I have substantiated in Drugus 2007, there are exactly three operations – aggregation, association and atomification – which make up the orthogonal basis of the class of operations done by the brain. The specialization of brain compartments on these operations (Drugus 2009 a) is shown in Figure 1.
By abstraction we usually refer to both an operation of the intellect and the result of such an operation. In practice we need not distinguish between these two notions, because in order to use an abstraction we do not need to know how it was obtained by the mind. In a more general approach, like the one of this paper, we have to be more discriminative, and I refer to the first one as abstraction operation or just operation, and to the second one as concept. The Latin etymology (con+cipere, “with”+“capturing”) both supports this choice of “concept” for denoting the result of an abstraction operation and describes such an operation as “capturing”, i.e. “extraction” of the concept from the “mind content”. In study of the mechanism of mind, we must treat any abstraction operation as a one-argument operation of extraction of a concept from the mind content. But in this paper we are focused on concepts rather than on the mechanism of mind which produces them and I consider the abstraction operations as many-argument mathematical operations defined over and resulting in entities.

Same as the physical matter can be regarded as “content” of the Universe, so I regard the Mind as having content and I refer to it by mind content (Drugus 2009b). Moreover, I regard both the mind and the universe as worlds, where by a world I mean a universe together with its content. All these notions are formulated in mathematical terms of universics in [Drugus 2009a, 2009b]. The figure 2 illustrates my vision on mind content regarded as a conceptual network “weaved” by the intellect by repeated application of three operations mentioned above.

The figure above illustrates the mind content obtained in result of a synthesis process, which is directed - in this figure, we consider that the mind content „grows“ upwards. The results of applications of both the aggregation and association operations are represented as nodes of the network. In order to simplify the picture, the distinction between the entity type (aggregation or association) is not indicated in the figure and all the aggregations in this figure are two-element aggregations – same number of arguments as of the association operation. The colored areas are said to be integral domains. These pieces of mind content are created by applying the atomification operation, which can be thought to act in a dimension, different from the dimensions where act association and aggregation. The results of applications of the atomification operation can be imagined to lie in space above the 2D space of the picture. This is why, to represent the integral domains as new entities lying outside the plane and to be able to discriminate between them, they are colored in different colors. The „bottom“ of each integral domain is represented by the atoms (indivisible constituents) of the represented object. This „bottom“ is „dented“ because in the synthesis process the...
representations of the atoms appear at different times. The top of each integral domain is represented by exactly one entity which we regard as the *unity* of this integral domain.

The first intuitive idea about the manner how an integral domain can be extracted from the mind content is by imagining that such a domain is “carved out”, or “captured” from the mind content by taking into account the two boundaries. Namely, the *unity* serves as the top boundary and the atoms as the bottom boundary of a *unit* of mind content representing something treated as a “whole”.

### 2. Three basic concepts of the intellect

We are now changing the focus from the manner how the concepts are obtained to the concepts themselves and, therefore, we will re-use the names of the abstraction operations for the concepts obtained in result of such operations. My vision called *universics* posits three abstraction operations and three concepts in the basis of the mechanism of mind. Each of them can be subject matter of a separate discipline.

Such is *aggregation*, which is (partially) studied by axiomatic *set theories* or *theory of classes*, in terms of which, by using mathematical logics, are formulated all mathematical notions.

The abstraction of *association* is same wealthy in manifestations and can compete for the position of an alternative foundational framework of mathematics, but it did not get an attention of mathematicians comparable with the aggregation. Only lately the association caught the attention of Semantic Web developers who, though, did not give it a name to it and use it unconsciously while representing knowledge via oriented graphs labelled by reserved words.

The atomification operation seems to have been almost completely ignored by mathematicians and got some amount of attention only in formal languages studied in computer science, but it can also serve as an alternative foundational framework for mathematics.

Even though each of the 3 abstractions can serve as a foundational framework for whole mathematics, this is possible only due to modelling the other abstractions via the abstraction posited in foundation. Modelling provides a good basis for reasoning but a model is always different from the modelled phenomenon and the model necessarily ignores some information which might be essential. Therefore, even though an abstraction operation can be modelled via the other two ones, as mathematical operations, the 3 abstraction operation are independent on each other and we will treat them on equal basis.

Universics can be treated as a theory and as such we will consider that the universe of discourse of this theory is “populated” by all the entities obtained in result of repeated application of the three abstraction operations. I said such entities to be universes (Drugus 2009a). Below, we will focus on each of these three concepts in more detail.

#### 2.1. Aggregations

The first concept on which we will focus is the abstraction of *aggregation*. The correct intuition for this concept is provided by the etymology (*aggreg*, “towards flock”) which suggests that by “aggregating” we bring many things together into one “flock”, i.e. into something which is governed by no order. The notion of *aggregation*, *class* and *bag* used in IT, as well as the notion of *container* and *collection* used in Semantic Web, are examples of *aggregation* conforming with the intuition of French “togetherness” or of the ancient Greek “flock”.

The concept of *aggregation* was the first concept to be formalized by mathematics. It obtained a mathematical counterpart as a strict notion of *set* and later as its generalization to the notion of *class*. True, in mathematics there is no widely accepted name for the abstraction operation and we will use the term *aggregation* to refer both to the abstraction operation for creating a set in set theory or a class in class theory.

The notion of *set* was introduced in the 19th century in mathematical practice by Georg Cantor who used for this notion the French word *ensemble* (“together”). This suggests that he meant to formalize by the notion of *set* exactly the intuitive idea of “togetherness” or, in our terms – of *aggregation*. The denotation of a finite set by the list of its elements enclosed within braces \{a₁, ..., aₙ\} is a well-known and widely used denotation and it will be used also for denotation of a finite aggregation.

All axiomatisations of the notion of set, which were introduced later, contain the “extensionality axiom”, and moreover - usually include it in the list of axioms as the first axiom. The *extensionality axiom* states: “for any sets A and B, A=B if and only if for any entity \(x\), \(x \in A\) if and only if \(x \in B\)”. But there is no intuitive reason to consider equal two aggregations with same members and the natural language supports this by expressions like “two aggregations” in formulation of this idea. Therefore, to keep the view most general, I will not request the arbitrary aggregations to satisfy the extensionality axiom.

Since the new concept is more general than the notion of *set* and even more general than the notion of *class*, it requires a new name and I will use for it the name of the abstraction operation whereby it is obtained – *aggregation*. I will treat extensionality axiom as a constraint on the number of *identities* which a class can have – this axiom states that a class (in particular, a set) has exactly one identity, and this identity is determined by the elements of the class. Based on this, we can simplify our discourse by considering an aggregation to be a class together with an entity called *identity* of the class. Thus, aggregations can be
treated as *multi-identity* classes. Due to this, each time when we specify an aggregation, if we are not interested in its specific identity defined in the process of specification, we can refer to the aggregation as just *class*. On the other hand, we can consider the notion of class as an abstraction of higher level – an abstraction obtained from aggregations by ignoring their multiple identities. Conversely, we can say a class to be an un-identified aggregation.

I regard aggregation as a specialty of the right hemisphere of brain for right-handed people – the hemisphere also specialized on processing simultaneity and space (Drugus 2007).

2.2. Associations

By *association* I refer to the abstraction operation for creating an ordered pair and to any concrete example of the result of application of this operation. I am treating the association abstraction as a specialty of the left hemisphere for the right-handed people – a hemisphere also specialized on processing sequentiality and time.

I denote an association of two entities $a$ and $b$, in this order, by the $(a : b)$ – a denotation which differs from the denotation $(a, b)$ of an ordered pair used in set theory. The different manner of denotation is justified by the fact that I am treating comma as an operator with properties (like commutativity, associativity, idemponence) different from those expected from a separator for association. Therefore, the separator sign (:) widely used in many domains, including IT, is a better sign for denotation of an association.

In set theory the notion of ordered pair is defined in terms of sets and, probably, the definition which is best known is that of Kuratowsky: $(a, b) = \{(a),\{a, b\}\}$. Such a definition is good only for theory, but for an agent viewing the universe of sets and ordered pairs defined as a special type of sets, this definition creates problems. Namely, if an agent views the set $\{(a),\{a, b\}\}$, he does not know, whether to consider this an ordered pair or a set which, coincidentally, has this form. Also, an author who meant $\{(a),\{a, b\}\}$ to be a set, cannot encrypt this information in this denotation and would have to add it in words like „where by the $\{(a),\{a, b\}\}$ I mean a set and not an ordered pair”. For a virtual machine there can appear also other problems due to incomplete encryption of information. Finally, there are infinitely many modes to represent an ordered pair as a set. For all these and other reasons, I regard the notion of ordered pair as *orthogonal* to the notion of set.

An association can be treated as an identified ordered pair and conversely, an ordered pair can be regarded as an abstraction of higher level which neglects different identities of the same ordered pair.

2.3 Atomifications

The notion of *atom* as an abstract concept (and not as a common name for physical atoms) was first used in set theory to refer to a non-set or used in class theory to refer to a non-class. Since we have allowed association as a concept orthogonal to the notion of aggregation, we now have to give a more precise definition.

I consider *structure* an entity built by multiple application of aggregation and association and *atom* – as a non-structure. This treatment implies that the mind is capable of doing, alongside aggregation and association, yet another abstraction operation for creating an atom out of a structure. I say this operation to be *atomification*.

Atomification does not imply any actions upon the structure – it implies changing the view of the agent. Namely, atomification is neglecting any structure of the viewed entity and regarding it as a whole. Due to this intuition, an “atom” should be regarded as a “whole”, and we can chose between these two words for a term to denote the same concept. I have chosen the word “atom” because it is easier in use than than the word “whole” (say, “atom” has a plural, but “whole” does not).

Notice that the result of atomification, an atom, can serve as a “building block” for another structure. This shows that the notion of atom and the notion of whole are really relative to each other – if the entity A is regarded as an atom in a structure S due to our making abstraction from the structure $S^A$ of the entity A, same A is a whole in the structure $S'$. This situation is well illustrated by the integral domains, which represent structures, in the Figure 2.

3. Definition of metalingua

Metalingua is a simple formal language which uses regular words of a natural language called main symbols, the sign of equality, 3 reserved words - *aggregation, association* and *atomification*, and 3 types of brackets for building compound expressions of the language, namely:

1. Braces “{“ and “}” which enclose a list, the elements of which are separated by “,” (comma);
2. Parentheses “(“ and “)”, which enclose a list, the elements of which are separated by “:” (colon);
3. Round brackets “[“ and “]” which enclose an expression of the language.

This simple language can be used for denotation of the entities in set theory or, wider – of the entities of universers, and maybe in less strict symbolics, it has been used for a century and a half since set theory came into being. But this language obtains a completely different use if we widen the meaning of this
symbolics. In order to describe the full semantics of this language we will go through an analysis of what is sense and will offer a mathematical treatment to this notion. Meanwhile, I will introduce the semantics of metalingua on the intuitive level.

In denotation, we proceed from an entity and end up with a notation, in discourse (a generally accepted term for “discussion”) we proceed conversely – we start with a notation and after the interpretation we obtainan entity. But there can exist many interpretations and, therefore, this inverse direction brings up a whole class of entities denoted by the same notation - the interpretations are limited only by the sense of notations. Thus, in discourse, all the denotations of metalingua obtain a meaning different from the meaning we discussed earlier.

In denotation, the braces serve for writing down the notation of a set (aggregation). In discourse will treat the braces as specification of a correlation. While the notion of relationship with a given list of correlates is widely used in mathematics and has a formal counterpart in the language of set theory, the word “correlation” is used informally. In metalingua the notion of correlation obtains a strict sense of “relationship with named correlates”, which we will explain by two examples below.

The comparison two numbers \( m \) and \( n \) denoted by “\( m < n \)” is said to be a relationship. Which of the two numbers is smaller and which is larger depends on their place in this denotation and we cannot change the two numbers with places and still keep the same relationship between them. On the contrary, if we denote the same fact this manner: \( \{ \text{smaller} : m, \text{larger} : n \} \), then we can safely change the places of the two elements of the list enclosed between braces. We will see this second type of notation to be a correlation, and for the concrete example above – a correlation with the correlates “smaller” and “larger”. Another example of a correlation is the correlation we talked above: \( \{ \text{metro-language}, \text{meta-language} \} \). Notice, that here we indicated a correlation as an abstraction, while in the numeric example earlier (with colons), we indicated a concrete manifestation of a correlation.

In denotation process, \( (a : b) \) denotes an ordered pair of entities. In discourse this becomes a complex operation of which we will say to be modification of \( b \) by \( a \). “Modifier” is the common name used in linguistics for an adjective, adverb or complement – all these “modify” the sense of a word or expression to which they apply. For example, by applying the modifier “white” to the word “horse” we obtain “white horse”, which in symbolic notation should be written like this - \( (\text{white} : \text{horse}) \). Here the use of parentheses is important and are regarded as part of the formal language.

In a discourse, the square brackets are treated a manner similar to the quotation marks – they enclose the denotation of the entity to which we refer or the entity itself. For example, to apply the meaning of “white horse” to a horse named “Derby” we would formally write down the expression - \( ((\text{white} : \text{horse}) : \text{Derby}) \).

4. Sense and reference

The two papers [Frege 1892] and [Russel 1905] stood in the beginning of research of sense and reference – a beginning which unfortunately did not get a continuation. The notion of reference obtained a key importance for Semantic Web only lately but, as to my knowledge, the notion of sense did not get a widely accepted formalization up to current days and remains an obscure and arcane domain.

I say an entity \( e \) to be a reference in language \( L \) to an entity \( v \), if \( e \) represents \( v \) in \( L \), or more precisely, if \( e \) is a representative in \( L \) of \( v \) (we also say “\( e \) stands for \( v \)”, or “\( e \) denotes \( v \)”); in language \( L \), the entity \( e \) is used to make “reference” to the entity \( v \). In this context, \( v \) is usually said to be referent or denotatum of \( e \). In Semantic Web \( v \) is said to be value of the reference \( e \). The word “reference” treated as above can be regarded as a synonym for “label” - a word by which we also mean a sign with which we do not necessarily associate any meaning.

Semantic Web uses references which are written according certain standards, and we can consider them also labels. But Semantic Web allows for different interpretations of its references, allowing for a reference to potentially have many values at different interpretations and, thus, Semantic Web generalizes the notion of reference. We will not follow this terminological path, but use the practice of natural languages which have been most intelligence-consuming artefacts of humanity and which are more trustworthy as sources of correct terminology. Namely, we will treat references as just proper names, but allow also for common names. Moreover, we will not use “reference” interchangeably with “proper name”, but treat reference as the relationship between names and their interpretations.

5. Names

By name I mean an entity to which we have attributed sense and which is used for reference. If we have attributed sense to a name we say that it has sense or, as it is more common to say, that it “makes sense”. So, I consider sense to be an attribute of name – a property necessary for an entity to be called name. A label is used exactly to enable referencing the labelled entity, but as long as we did not consciously attribute certain meaning to the label, the label will not be considered a name.

A synonym for sense is meaning, but the word sense is more general and covers all phenomena related with a name, while meaning seems to cover only pure semantic phenomena. For example, we can say about certain actions of an agent that they “make sense” (agent is the term which denotes any entity
have to develop further. This is the methodology whereby the results of this paper have been obtained.

An expression of a natural language can be one word or a whole phrase, i.e. a name may be either simple (we will say “atomic”) or compound. Linguists denote the compound names by using square brackets. Say, they call \([\text{current president of Sierra-Leone}]\) a noun-phrase and use it to make reference to the actual president of Sierra-Leone. Such a name might be even more convenient to use than the passport name if you don’t know the passport name of current president of Sierra Leone. Important to remember is that names can be compound and still treated conceptually the same as simple names – the composition, form or length of a name have nothing to do with the functions of a name: reference and sense.

While in conceptual analysis it is appropriate to use one word name for both simple and compound names, in metalingua, which we can use in practice, we will proceed like in linguistics and consider that the word name refer to only simple names and the word expression refer to compound names. Such a practice of using a word with one meaning in a language and another meaning in meta-language is common and acceptable.

Linguistics of a natural language uses a meta language for description of a natural language. Sometimes they inquire what is the antonym of “meta”. We will consider this to be metro (obtained by comparison with the Greek words meta-polis, “satellite city” and metro-polis, “main city”). Metalingua can be used as a meta language for any natural or formal language as metro-langauges.

An affirmative proposition is also a phrase – it is a phrase which “expresses a complete thought” as they teach us in elementary school. This allows us to treat propositions, which express truth, as names, which make sense. This, in turn, allows us, no matter how abstract this may sound, to consider truth is a partial case of sense (“truthful sense”) and reduce research of truth to the research of sense. Despite some amount of apparent artificiality, we will accept this abstraction, in order to be able to formulate a theory of sense by mapping the theory of truth (logic) into the theory of names related with metalingua which we will have to develop further. This is the methodology whereby the results of this paper have been obtained.

### 6. What is sense?

There is no widely accepted formalization of the notion of sense and I will introduce, as it is common in mathematics, an extensional definition of this notion (“extensional” means “in term of classes”). I will say the sense of a name \(v\), and denote it by sense\((v)\), to be the class of all possible values of a name. This definition conforms with the practice of saying that we know a name when we know what it denotes. Why sense is treated as a class? This is due to the ambiguity of reference and the class is meant to contain all the possible values to which a name, in this sense, can refer.

The name which refers to anything is natural to be thing and the OWL (Web Ontology Language, inversion intended) uses the reserved word Thing with some meaning. In the RDF (Resource Description Framework) language same role is played by the reserved word Resource. These names must be regarded as synonyms, i.e. names with the same sense, which as classes should coincide. So, sense(Thing) = sense(Resource). Also, the OWL has a reserved word Nothing for the name which has no values and we will use it here with the same meaning.

The two names Thing and Nothing are playing in semantics of metalingua the same role as the two Boolean values True and False play for the classical logic in set theoretic interpretation. The most important operation over names used in discourse is the operation of modification of one name \(b\) by another name \(a\) – an operation the result of which is denoted by \((a : b)\). I define this operation in such a manner that it becomes an “image” in the “universe of sense” of the implication operation \((b \Rightarrow a)\) from the “universe of logic”.

### 7. Conclusion

The ideas of this paper are in the process of development and alongside conceptual research they are also checked in computer software simulations at Semantic Soft, Inc. company, Republic of Moldova. In this paper, I have only outlined the ideas on how the precise semantics of metalingua can be developed. A complete account on this will come in future publications.

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Experience Based Management – A Post/ Trans/ Modern Vision

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Key words: experience economy, experiential marketing, experiential management, transmodern thinking, transdisciplinarity, EMMY

Abstract: The Experience Economy is a concrete form of the New Economy. Together with Experiential Marketing, the Experience based Management (EBM) is a quite specific way of adapting the human action to the new economic, political and moral environment. The term is not largely used yet, but it may open a new direction of (re)thinking the managerial techniques of the Information Era and Knowledge based economy. It is about a new vision of the managerial theories and practices that are better fitted with the very dynamic, complex, and globalized economy. The author is in favour of a holistic, transdisciplinary, post/trans/ modern, triadic, and information & emotion based leadership and management. Essentially, the new vision put a strong accent on the neuronal, psychological and behaviourist dimensions of leading people in contemporary learning organizations. Creating meaningful experiences for the managerial team and organization members should be learned and applied especially in high information level companies. End Means Methodology (EMMY) is used at the practical side of the paper. Last but not least, the humanistic, cultural and mercantile dimensions are considered to be harmonized and made moral.

Introduction

The paper presents in a synthetic and suggestive way the new experiential context of the 21st century (new) economy. New Economy is a term coined in the late 90s and its main characteristics are: a) it is a service-based economy and not an industrial goods-based economy; b) it is a knowledge-based economy and an ideas-based economy; it is no longer a material and physical goods-based economy; c) it is a globalized single economy and not a national/ state economy; d) it is an information based economy and not a substance and energy based economy; e) it is a digitalized economy (dot.com economy) and not an industrial economy; f) it is a collaborative economy and not a classical competitive economy (examples: the public-private partnerships, industry-university associations, co-investment strategies, co-creation marketing strategies, etc.); sometimes co-opetition makes the transition from cooperative and competitive behaviours; g) it is a research and technological innovation based economy instead of a simple raw materials processing economy; h) individualization/ personalization takes the place of massification; i) individualized/ personalized experiences are more important than mass media ads; j) outsourcing is more important than corporate large investments (this generates co-operative behaviour). The New Economy is a post-economy, i.e. a post-industrial economy, a post capitalist economy \( ^1 \) and a postmodern economy. Postmodern thinking (which originates in the post-war period, but especially in the late 60s of the last century when intellectuals radicalized the visions on society and economy) is a relativistic, adaptive and integrative one. \(^2 \) Holism and transdisciplinary thinking are the real

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foundations for creativity and innovative approaches. From an ideological point of view we may speak about a non-capitalist and non-communist economy, about a third way economy where competition and contradictions are (in a way) replaced by co-operation, co-operation and co-investing. From being the ideal form of economy this “new economy” is more human, more efficient and more moral than the previous known forms of economy. As a matter of fact the humankind is experiencing new ways of making a living. In this new contexts of the experiential economy are very fast developing new management and marketing styles: experiential ones first of all.

**What is the Experience economy?**

After the seminal work of Pine & Gilmore (1999) a lot of new terms were coined with the accent on the experiential dimension of our lives. Experiential Marketing (XM) is most and largest well known term to describe the new attempt of seducing and convincing people to buy more and more branded things. As a matter of fact it is about Experiential Market Economy, a new phase of market economy based more and more on memorable events created by innovative and creative firms. Recently, Boswijk et al. (2007) launched A New Perspective on the Experience economy (XE). They describe XE as: a) those forms of economy where “you pay in part for the product and the service, but mainly for the experience” (p. ix). I think this means not only a new structure of the price, but also a new accent passed from (material & substantial) goods to (immaterial & energetic) services and from this one to information & cognition based experiences. So, the trend is as follows: goods → services → experiences. This moving of accent and burden shall change seriously the academic curriculum. We need to divide the let’s say 100 hrs for teaching Product Management into unequal three parts: 10 hrs about the management of the production, 40hrs dedicated to the services management and 50 hrs dedicated to the management of experience and to experiential management, b) that form of economy “where efficiency is not the only determining factor”. In making and delivering goods, the producer initiate a co-creation process, i.e. “the company decides for yourself what you as a consumer want to create, and thus making your own product” 1, c) that form of economy where after the (ab) use of the logic of the mind/ rational thinking (specific to modern, Cartesian times), the XE appeals to the logic of feeling (specific to the postmodern times, that begun after the fifties and sixties of the last century). All senses are now implied, so we may speak about a “sensual” and “seductive” economy, d) that form of economy that is a “symptom and an expression” of “the transition from silent, incommunicative individuals to communicating and self-directing people who are in the process of discovering their own learning programmes, the transition from a centrally regulated society to decentralized community sharing common values.” 2 So, the economy is de-materialized and psychologised. It is about “creative meaning”, more precisely it is about “Businesses and organizations that can play a meaningful role in helping the individual find his own way.” 3 To conclude this description of what XE is, I feel obliged to remember it is based on information, cognition and knowledge, on learning by sharing (this is a co-operative model of living) and on constructive vision of the future. The global economy realities generated more collectivistic behaviour just because the competitive advantages could be fulfilled only in association, by merging and by united economic forces. For short, XE is more cultural, humanistic and collectivistic compared with the industrial and service economies. In this new context the co-operative work between an economist and a philologist does not anymore appear as a strange thing. On the contrary, it becomes a compulsory one.

**What is the knowledge based economy?**

The Information Era is not only the era of the ever increasing burden of information on/ in the inhabitants’ heads, but an era of using knowledge in a different way. I mean knowledge could be used in a rational or in a “sensual” way. Modern Cartesian times were based on rationality and on experiments, but our postmodern times are based on feelings and emotions, on cognition process and seduction of The Other by events and experiences. So, knowledge based economy is far from being a rationalistic, mathematical and logical one, it is more and more an intuitionist and emotional one. Both create knowledge, but combining them is a more effective and efficient way of making a (better) living. Computers have a lot of mathematics and memory inside them, and there is no need human beings should use their brains instead of computers. But knowledge based economy is also using a lot of research, but research itself is changed and different from the experimental modern times. The postmodern experiential research needs nowadays huge funding and very sensitive and intuitive researchers. For example, this paper is not the result from traditional scientific experiments by which some hypothesis should be tested, but the result of much reading and feeling the trends in peoples thinking and behaving. This already creates a kind of contradiction on the “real” standards of scientific

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2 Idem, Ibidem
3 Idem, p. x
inquiry and of its measures of value. At a first sight it seemed to me that there are two different styles in writing articles as result of some kind of traditional modern research, on the one hand and writing articles as result of intuitive thinking and sensual emotions generated by lectures, securities markets or daily life. In a knowledge based economy both the producer and consumer know more, the asymmetrical information is strongly reduced and the partnership between producer and consumer (prosumers) appears as a normal collectivist and altruistic behaviour (euphemistic named as “learning by sharing”).

As a concluding remark to the description of the knowledge based economy one should observe that a radical change is on the edge. It is about intellectual property, property rights and the copy rights as older expression of former modern times. In 1987 I have written an article (published in “Cronica” magazine from Iasi) entitled “The reader as co-author”. Whose rights are to be protected? Should we protect the rights of the author, or those of the reader as a co-author? Both have contributions, even not in equal parts or proportions. This idea of co-creation is very intimate to the Experiential Marketing where the producer (the “author” of the goods) is co-author with the consumer. The private (producer) – public (consumer) partnership is another expression of the XE. What about a real partnership between the teacher and the student? Just think about it! The authors of the best seller Funky Business, Jonas Ridderstrale and Kjell Nordstrom (2007), are described by some reviewers as neoliberals and by some others as communists… Is that strange? Not at all, since they are defending both liberal values (individual action, profit driven economy etc.) and invoke Karl Marx and give him right! Of course, not in any issue, but this melting of right liberalism and Marxian leftism is quite specific to the postmodern thinking. The classical disciplines and/ or doctrines, with borders and fences, with specific fields/ domains and with very specific research methods are far away of the general interest now. They have few new aspects to discover and even less to communicate. The only new spring for fresh water (ideas, information, ideology) are to be offered to the thirsty of knowledge Homo Humanus if and only if these borders, walls, barriers and fences are picked up and ignored and thus creating a huge common field to be studied: reality with its infinite levels to be defined and redefined. In our postmodern times, holism and system theory, chaos theory and sub-quantum level of reality, interdisciplinarity and transdisciplinarity, all these are new names for new knowledge.

There is also new debate on the economic “field”: how big is it and what is out of its borders? I gave an answer three decades ago: any aspect connected with human activity is economic (and any human activity driven to profit seeking is business). The sphere of the economic field is exactly the same with that of politics, of ethics, of law, of sociology etc. These disciplines abusively separated a slide of reality and said: this is our field (like first colonisers which put a mark on some surfaces of land/ water and said: this is my field!). Every of these social aspects are impossible to be treated separately and/ or ignoring one or more of the rest of the human activities. All of them are closed interwoven that any sectarian/ segmented “scientific” approach is from its own start unscientific at all. As the global economy concept and reality were barely and slowly accepted, the same happens with the global/ holistic science. For short, science is/ should be an integrated one or it does not exist at all. A global economy needs a global knowledge, so it comes very logic that economy is knowledge-based, and information is that unlimited/ infinite resource that changes fundamentally the theory of scarce resources as the axiom of the (neo) classical economy. One of the new problems of our global economy is the management of institutions and governing the commons. So, economics is melting with politics and ethics, generating a new corpus of knowledge that I have called EMMY (End Means Methodology) or the Politics-Economics-Ethics Continuum. I do consider that neither politics (political science), nor economics (economic science) nor ethics (the science of good behaviour) could ever be useful for decision makers, except they are perfectly melted together as a single transdisciplinary approach (EMMY). If we’ll continue the postmodern (gloomy) line, we’ll say that “Science is dead” and on its tomb grown transdisciplinarity, holistic and systemic approaches, as well as new methodologies in research. In this respect, I have proposed, three years ago, to Space organization – www.space.eu-info - (located in Ghent, Belgium) to create “Developing Research Units Generating Unified Science”. In the future, this could be a new model for creating new ideas, information and adaptive research institutions.

The new cognitive approach could melt the two big trends in the world: experiment and experience. The modern scientific inquiry is/ was based on experiment (social sciences included) and the postmodern cognitive approach is/ will be based on experience. So, not only experimenting/ testing hypothesis means research, but also experiencing new events we may obtain new information, new ideas and new structures in organizations.

What is postmodern management?

I do not intend to make here the history of the managerial practices and theories. There are already a lot of books and articles on them. If the science is dead, it comes clear that the science of management is also dead. So, what is management if it has no scientific (experimental) basis? But managerial practice could have cognitive (experiential) basis. That is why pedagogical new visions (Learning by doing, Learning by sharing etc.) constitute a sound basis for improving managerial activity. In my (postmodern and transdisciplinary) opinion management is defined as Thinking, Feeling and Acting. Thinking is Cognition and acquiring of new necessary (rational) info, Feeling is experiencing all human senses (and emotions) and Acting is applying the taken decisions based on Emotional Intelligence. These three components are similar with the cosmic structure described by Ilya Prigogine: Information-Energy-Substance and also with the Christian Holy Trinity: Father (Information) – Holy Spirit (Energy) and Son (Substance). Finally, Management is an application of the Theory of Human Action (praxeology included) (Drugus, 2004, 2005). Management is far from being “a science” in the modern sense of the word (with specific and precise rules, with mathematical and logical demonstrations, with experiments generating rules, etc.). This cover of “scientific” approach generated a lot of bad decisions or at least of unethical decisions. In my opinion, management is better connected with cognition and psychology than with mathematics and “pure” logics. The management textbooks may usefully give up hundreds of pages (no one would ever remember later on) about rules, laws, “scientific” principles, etc. Instead of them I’ll put lot of logic games, exemplary case studies, cognition principles, précis writing, report writing, communication skills a.s.o.

What is Experiential Management (XM)?

Experiential management (XM) is both a teaching method of management skills and a practical managerial/economic activity.

From the pedagogical/teaching point of view XM is “learning by doing” events. By definition, an event is a memorable situation where all senses (thinking included) are implied. In this respect in my management teaching I try to imply students in solving problems by playing roles (games). Most “tasted” games are: Prisoners’ Dilemma, The Uninhabited Island, The Probability Game (X or Y?) and Case Studies co-created with students in 3-4 hours. Of course, Prisoners’ Dilemma is also an interactive game and so much adapted to the real world that the old Greek Logical Paradox is only an idea...

From the practical point of view, XM is a very strange and new kind of practicing management. If Experiential Marketing is dedicated to impress people (customers/buyers/clients) by very emotional events created in specific seductive ways, then Experiential Management is trying to impress the members of the organization by inducing to them the sense of family, of common interest and reciprocity. Here are some of these events that are already in use by certain organizations:

a) Making common long trips (2 weeks) in far destinations thus creating a sense of community and solidarity among the members of the organization and a direct connection between manager and the managed.

b) Inducing the idea that every success is not only a managerial success but a common one (a co-created success)

c) Participating to the family ceremonies of the members of the organization, this family event being melted with an organization event.

Concluding remarks

The purpose of this article is only to stimulate discussions and obtaining feedback from the academic community and after that it could be developed and improved.

The conclusion of my research effort is that in a changing world, the cognitive processes are more and more combined with emotional experiences and the management cannot be an exception from this trend.

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Contributions of Research on Interdisciplinarity in Brazil: the Survey of a Route

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Abstract: The main objective of this article is to point out and analyze pieces of research that have been produced on Interdisciplinarity since the seventies locally and in many foreign countries. It also focuses on (a) the importance of social and personal aspects, (b) respect for the old knowledge without which nothing new can be built, (c) the ever-present ambiguity when working in an interdisciplinary way, (d) Interdisciplinary research which demands new ways for investigating phenomena, (e) the caring and sharing when dealing with concepts when tutorizing research and (f) a new regard on integration that the interdisciplinary movement pursues.

In this article we intend to present our research itinerary regarding Interdisciplinarity issues, from the early 1970s onwards, not only as an incentive for further research, but also as a vector of aspects seldom discussed in the daily routine of Education, be it at elementary and high school teaching, at university or continuous education courses.

We have conducted numerous studies and have guided others. Former members of our study group have become important actors in the Education scenario in Brazil and abroad. It was impossible to contact every one at this first stage, but participation is open to those who want to exchange ideas with us.

The aim of this study is to introduce some points that are here presented for discussion, on the basis of research conducted in the field of Interdisciplinarity. We begin with a brief summary of aspects that we have clarified, detailed and amplified, based on assumptions about Interdisciplinarity obtained from bibliographical research.

- Interdisciplinarity is a new attitude with regard to knowledge and open-mindedness, in relation to the comprehension of the hidden aspects of the act of learning, as well as those aspects that are apparently clearly expressed, challenging them.
- In practice it requires a deep plunge into the daily work routine.
- The metaphor that supports, determines and assists when carrying it out its execution is the regard, a metaphor that feeds itself with a diverse mythical nature.
- Five principles support an interdisciplinary teaching practice: humility, coherence, hope, respect and detachment.
- Some attributes belong to, determine or identify those principles.
- These are boldness and affection, which impel us towards intersubjective exchanges and partnerships.
- Interdisciplinarity is guided by action in motion. This movement can be perceived in its ambiguous nature, with metamorphosis and uncertainty as a presupposition.
- Every competent interdisciplinary project comes from a well-defined locus, therefore contextualization is essential in getting to know it. Contextualization requires recovering memory, with its different capabilities, therefore the time and space in which learning takes place.
Interdisciplinarity is an issue that has been widely debated in education in most Western countries as regards the profound organization of curricula, the way we learn and the formation of educators. Despite the fact that since the 1970s education reforms in Brazil have indicated the need to adopt an interdisciplinary stance, this has not been well understood. (Fazenda, 79, 84). This remains true in the subsequent decades: the 1980s, 90s and 2000. In the early 2000s, this was not a longer peripheral issue: it became a central object of governmental and legal discourse.

In the 1970s and 1980s there were only a few studies in the field of Interdisciplinarity and a little known bibliography. However, in the late 1980s and early 1990s there began to appear reference centers bringing together researchers around the theme of Interdisciplinarity in education in countries like Canada, with CRIFPE (Inter-Research Center on Education and the Teaching Profession) and GRIFE (Research Group for Interdisciplinarity in Teacher Education), coordinated by Yves Lenoir. In France, we have CIRID – a University Center for Interdisciplinary Research in Teaching, led by Maurice Sachot, as well as Research Groups on interdisciplinarity in teacher education in other countries. These groups have influenced and directed educational reforms at primary and high school level in different institutions.

In the United States, after the studies conducted by Julie Klein, of Wayne State University, and William Newell, of Miami University, research on Interdisciplinarity spread over the whole country, directly influencing educational reforms.

In the 1990s, Gerard Fourez, in Belgium, expanded his studies on the issues of Interdisciplinarity in education, joining the Canadian groups from Montreal, Vancouver and Quebec. The same occurred with Maritza Carrasco, of the University of Santa Fe in Colombia and Heloísa Bastos, of the Federal University of Recife in Brazil. In 1986 PUC-SP (The Catholic University of São Paulo), under the coordination of Ivani Fazenda, set up the Group of Interdisciplinary Studies and Research in Education, GEPIPUCSP/CNPq, conducting nearly 100 studies addressing various aspects of education. This group, which was initially set up at PUC-SP, spread to other universities, such as UNICID (University of the City of São Paulo), which now offers a Master of Education course concentrating on Interdisciplinarity, Formation and Learning.

In the process of researching, it has been responsible for the formation of researchers, masters and doctors and has directly interfered in the work of departments of education all over Brazil. Indirectly, it has contributed by permitting access to more than thirty titles on the subject, which deal with practical, epistemological, methodological and professional aspects.

These studies have also reached Portugal and Argentina, offering expertise to undergraduate courses and postgraduate studies at the universities of Lisbon, Aveiro, Évora and Buenos Aires.

This brief report of our space-time location tries, in a way, to situate Brazil in the global movement that has been rethinking education from an interdisciplinary perspective. Since the late 1990s teachers and students who are members of the Brazilian group have been taking part in and organizing some of the major symposia, roundtables, panels and conferences in the field of education, whenever Interdisciplinarity in education is being discussed.

Although publications on curriculum reforms in Brazil have a strong tendency to focus on Interdisciplinarity, seeking to describe approaches that aim to reorganize conceptual and operational models associated with the conventional system of scientific subjects, there are other organizational models based on different principles that try to break up with these conceptions, devising other organizational models. There is no agreement as to the best hypotheses. We support the proposal put forward by the Sherbrook Colloquium, in several aspects that we here take as our own (May 2000).

On the threshold of the 21st century and in the context of internationalization characterized by an intense exchange between human beings, Interdisciplinarity assumes a role of great importance. Besides the development of new knowledge, Interdisciplinarity in education promotes new ways of approaching social reality and new readings of the sociocultural dimensions of human communities.

Teacher education towards Interdisciplinarity, through Interdisciplinarity and for Interdisciplinarity is a requirement that must be specifically conceived and devised, based on studies developed for the area, supported by the different sciences that aim to offer a contribution in the area of teacher’s education. The formation towards Interdisciplinarity (as an enunciator of principles), through Interdisciplinarity (an indicator of strategies and procedures) and for Interdisciplinarity (as an indicator for practice in educational interventions) should be carried out in a concurrent and complementary manner. It demands a process of conceptual clarification that requires a high degree of intellectual and practical maturity, an acquisition in the process of reflection that goes beyond the simple level of abstraction and requires the proper use of metaphors and sensibility.

The conceptual fundamentals originating from this acquired capacity will influence the way research is oriented and the intervention of the researcher-teacher resorting to Interdisciplinarity. Much more than simply believing that Interdisciplinarity is learned through practicing or experiencing it, the studies demonstrate that
a solid formation towards Interdisciplinarity is closely linked to the dimensions originating from practice in real and contextualized situations.

**An immersion into social and personal aspects**

Knowing the place from where one speaks is a fundamental condition for those who need to investigate procedures or how an interdisciplinary approach should be adopted in daily practice. Barriers of a political, socio-cultural, material and personal nature can be better addressed after getting a view of educational policies in their historical-critical development. In order to achieve that, interdisciplinary research aims to investigate not only the underlying ideological problems, but also the disciplinary profile that policies and law in all their nuances impose on it. From a careful disciplinary reading of the existing conditions, it is possible to predict the possibility of numerous other readings.

What we mean by that is that Interdisciplinarity allows us to see what remains hidden and reach what is not within reach yet, but that regard requires a specific discipline capable of reading between the lines. (Fazenda, 2000)

**Meeting what is new demands respect for what is old**

Another aspect to be highlighted is the need to privilege the encounter with what is new and unusual while revisiting what is old. Recourse to memory in all its polysemy is difficult, requires strategies of its own, the creation of new methodologies, the metamorphosis of well-established methodologies, such as life histories, or others that have not been fully exploited yet. With that aim in mind, epistemological and methodological care is needed when using metaphors and in interventions. (Fazenda, 98, 99, 2000)

The exchange with other forms of knowledge and leaving the state of anonymity, which are characteristic of this special kind of theoretical stance, should be cautious and require patience, since they are transvested in wisdom, in the limitations and temporal nature of the expertise acquired (Fazenda, 1991).

The interdisciplinary path leads from the actor to the author of the life history being enacted, from action consciously exercised to theoretical elaboration arduously developed. Just as important as the product of an action is the process, and even more than the process, it is important to research the movements traced by the actions carried out - only when the movements of the actions are researched can we draw their contours and their profile. Explaining the movement of actions that are performed in an educational context is, above all, to grasp their signification, the symbols that feed and guide them; to achieve that, it is essential to keep records of the actions being researched - on this very subject much have I written and discussed Fazenda, 1991, 1994, 1995).

The ambiguous motion of Interdisciplinary Research or Interdisciplinary Didactics indicates the emergence and confluence of other movements, but it is imperative that the initial movement be explained and properly shown. What we mean by that is: new movements, born of successful actions and practices, are born from previous movements (Fazenda, 1994). It is only possible to analyze and learn about them when we investigate their original elements. Denying the old and replacing it with the new is a principle that is in opposition to an interdisciplinary approach in Didactics and Research in Education.

Interdisciplinary research starts with the old elements, analyzing them in all their potentialities. Denying the old is an authoritarian attitude that makes impossible to implement an interdisciplinary Pedagogy and to conduct Interdisciplinary Research. Examples of this special kind of research can be found in doctoral theses that we have supervised.

Resorting to the old, transvested as new, originates in the recourse to and the exercise of memory, in its two senses: that of a written record, printed and organized in books, articles, communiqués, class notes, class diaries, course and lecture notes, photos and images, and memory made explicit through speech, shared, socialized, in other words, communicated (KENSKI, 1995). This special form of recourse to memory has been pursued in the researches that we have coordinated, at all levels and areas of education.

Both forms of memory will contribute in the expansion of the highest attribute of human beings, communication (Fazenda, 1979, 1994). This, when properly done, will allow for a critical and multi-perspective reassessment of past facts pertaining to teaching practices that may help in the construction of teachers' life histories, the careful examination of which may contribute to the conceptual and theoretical revision of Didactics and Education.

Just as important as the exercise of memory is the exercise of doubt (Fazenda, 1994). If our intention is to reveal and explain *homo loquens* – the one that communicates, we will have to activate the prior anthropological mechanism that is inherent to him – *homo quaerens* - that is, humans as beings that ask questions, and the specific situation of their act of asking questions. *Homo quaerens* is one of the ultimate specificities of humans as rational beings, because the more we evolve in the investigation of humans as beings capable of reflection, the closer we get to our ancestors and their first questions. Both the more immediate question, provoked by "Why?", and its sequentialities, and “but why?” aspire to total interdisciplinary understanding of knowledge (Suero, 1986).

An interdisciplinary education or didactics based on research comprises inquiring, but in the sense that it verifies the signification of the question. It is essential that we learn, in this interdisciplinary process, to
moments of deep meditation and waiting. The process of interaction permits the generation of new and stronger entities, new powers and different energies. We must tread this monitored waiting. Violently changing the course of events is not an element of an education that embraces past movements. We feel tied in this process, tied to being forced to abide by orders that do not belong to knowledge, a knowledge of our own, is a slow process, it requires waiting -- not passive waiting, but process that we have gone through and which will inevitably lead to a freer, happier, more personal wisdom, courage and humility.

Interdisciplinary research and teaching deal with the motion (dynamic), but learn to recognize the model (static), deal with the unexpected (dynamic), but within the limits of the possible (static), deal with chaos (dynamic), but respect the order (static). The aim of the construction of an interdisciplinary didactic and research methodology is the clarification of the ambiguous contours of the pedagogical motion and action -- only the exercise of ambiguity may suggest the multifaceted character of the movement and therefore of the phenomenon being researched.

**Working with Interdisciplinarity implies researching in the realm of ambiguity**

The possibility of undertaking work of an interdisciplinary nature in classroom research ushers in possibilities that were not available before. When this happens, there is the opportunity to revitalize institutions and the people working in them. The interdisciplinary process plays a decisive role in the sense that it gives substance to the dream of laying the foundation of a work in education carried out in the light of knowledge, a knowledge of our own, is a slow process, it requires waiting -- not passive waiting, but monitored waiting. Violently changing the course of events is not an element of an education that embraces Interdisciplinarity. It requires that we taste it slowly, little by little, this taste that passion to educate has, until we become drunk with it, but the feeling that an interdisciplinary work awakens and for which we are not prepared is that of wisdom, of learning to intervene without destroying what was built.

Care must be taken, also, in the elaboration of the principles that are most consistent with this attitude and that we describe below. In an interdisciplinary process it is important to view the phenomenon from different perspectives. This will change the way we usually conceptualize. We are not used to questioning or investigating concepts. In our current discourse we take for granted such concepts as formation, discipline, competence, education, learning, didactics, teaching practice.

In an interdisciplinary dimension, new or old concepts that turn up acquire only the enchantment of the new or the obsolescence of the old. In order to acquire significance and strength, they have to be studied in the exercise of their possibilities. The image that comes to mind is that of the thousand sketches drawn by Picasso in the composition of Guernica - the conceptual totality of this work was born from the virtue of the warrior's strength, the transcendental desire to express freedom. The magnificent force that emanates from it, the impact we experience when we approach it comes from the harmony present in every detail, the beauty of life and the raw quality of death as well as the raw quality of life and the beauty of death.

Reason and emotion make up the dance of light and shadow of conquered freedom. Each of us contemplating it laughs and cries in face of dreams enunciated, subliminal intuitions, the explicit game of contradictions, the configuration of history. Picasso took interdisciplinary care of every aspect of his personal freedom, exercised it when composing a universal concept of freedom. We, educators, have still to experience this exercise. Usually we care about form, disregarding function, aesthetics, ethics and the sacred aspects that color the daily practice of our educational propositions or our research.

The care mentioned above, when analyzed in its full potentiality, will certainly alter the macro concept of being a teacher. Gradually we get used to the exercise of ambiguity, in the sense that this procedure rejects the mediocrity of ideas, stimulates spiritual vitality and is radically contrary to the established habit of subservience, because it recognizes that it massacres minds and lives. The logic that Interdisciplinarity imprints is that of invention, of discovery, research, scientific production, but deciphered in an act of will, a desire planned and built in freedom.
The studies and research on Interdisciplinarity, in an attempt to collect evidence to build a theory of education that has practice as its fundament, have delved into, among other things, the analysis of the theme of educational change in the last three decades. Our research found in the literature of the field three strong vectors of thought: a philosophical, a sociological and an anthropological current, but without much light, despite their relevance and importance. The great insights we have observed occur when the three currents are interrelated in a game of ambiguities that metaphorically aspire to transcendence.

One example is evident when we revise the concept of paradigm, so dear to disciplinary proposals on teacher education. We are faced with the disciplinary limitations of this concept. We realize that reality is poliparadigmatic – in it, beliefs, values, ideas, different ways of organizing life persist alongside a rationale despite their relevance and importance. The great insights we have observed occur when the three currents are interrelated in a game of ambiguities that metaphorically aspire to transcendence.

One example is evident when we revise the concept of paradigm, so dear to disciplinary proposals on teacher education. We are faced with the disciplinary limitations of this concept. We realize that reality is poliparadigmatic – in it, beliefs, values, ideas, different ways of organizing life persist alongside a rationale that explains it.

Projects for teacher education have been built only on the foundation of formal paradigms that are external to the teacher, where the must-be is added to the how-to-do. On very few occasions have the propositions on teacher education that we have examined been concerned with the place where the subjects are, their difficulties in their search for the inner meaning of their learning or what they learn from their mistakes. A process for teacher education that incorporates ambiguity as a procedure tries to set teachers' routines in motion – it carries these teachers from their present time to a past time, in a past relationship with the knowledge - in an attempt to impel them into a more promising future. However, teachers' practices are diverse and plural, inhabited with equally diverse and plural paradigms. It would be absurd to believe that it is possible to deny them; rather, care should be taken to guide them in various directions in an Interdisciplinarity manner.

The act of contemplating the paradoxical itinerary that teachers followed in their initial formation exercises their capacity to challenge paradigms, and to use other criteria to examine their practices in the classroom. This approach has contributed to the diminution of empirical practices, while also contributing to freer and more promising teaching process.

The interdisciplinary formation process that we propose, in that it opens up space for the teacher's doxa (opinion) is paradoxical in nature. Paradoxical because, when teaching to revisit routines, it grants permission to diversify them, to put them in brackets, or even to overcome them. Interdisciplinary care in the work with concepts has profoundly affected the exercise of research and daily practice. When experiencing paradigmatic propositions in an interdisciplinary manner, teachers are able to identify the origin of their pedagogical matrices and analyze their degree of consistency, and will be able to distinguish between matrices that have been incorporated into discourse only, from those that are an integral part of their being teachers.

What we mean by this is that as teachers get used to the exercise of an interdisciplinary practice, they begin to identify aspects that pertain to the realm of knowledge, such as the analogical or the metaphorical; they realize that the object of knowledge is not limited to itself, they experience the possibility of being led into dimensions other than the concrete or the rational, such as the symbolic.

The same procedure, therefore, reduces the mechanistic model of monodiscipline Learning, challenges the rationale of teaching and didactics, analyzes processes, affectivity, the effects of force and the force of effects, social and institutional dimensions, organizational strategies, the articulation of knowledge and each and every proposition that has diversity as its principle. One of the scholars who studies that question, Mialaret (1995), alerts us to the care about raising hopes that this procedure will demand, stressing that not all change is immediate or automatic, that all action schemes must be analyzed in the context of action and that every political action requires the exercise of ambiguity.

Mialaret, in a study carried out with Ardoíno (1995), also expresses concern about the ambiguous procedure needed when dealing with the concept of Education. For them, that concept is ambiguous and polyssemic. When speaking of Education, we have in mind the institution rather than the action carried out, the contents presented rather than the effects exerted by them.

An interdisciplinary procedure in Education involves other dimensions, going beyond the dimension of the will, of the norms, ideals, policies, the projective and scientific dimensions. This procedure will also help us to discern the field that we are referring to (initial, continued, pertaining the subject, the citizen, the professional etc.), to identify the discourse (ethical, normative, willful etc.), to choose the research process or object that can produce new knowledge.

This text aims to show how much the sense of ambiguity becomes the most important characteristic of interdisciplinary projects, how much they can contribute to the reconstruction of Education and the demands that must be faced when exercising a type of education that, for better or for worse, is formatted in the conventional moulds of disciplinary theories.

Navigating in ambiguity demands accepting the madness that interdisciplinary activity awakens and the lucidity that it requires. Any ambiguity is born from a kind of warrior's virtue, an ethical force that presents itself naturally, without the need for dictatorial impositions (Gusdorf, 1967).

The restoration of ethical virtue that this force presupposes will require a discipline of action that is often even contrary to the era in which we live. This ambiguity will require the recovery of what is proper to each individual.
In over twenty years of research we have made interventions in several Public School Networks, both at primary and secondary level, with our group of researchers (who were studying for their Masters and PhDs), establishing a dialogue between the research conducted by our Study and Research Group and the routine and difficulties experienced by teachers in their classroom.

This work has required three attributes: knowledge, patience and courage -- the courage needed to leave our castle behind the walls of Academia, to carefully remove the dust off old researches, to exercise caution and patience when provoking changes and to re-feed ourselves with this work, in preparation for even bolder research. In this journey over several years, we have established partnerships with the most important category of Interdisciplinarity, with our equals and with those that are different, in the public system or at the Academy. Gradually we tried to assign meaning to things and in this process we could learn that intersubjectivity (the first principle of Partnership) is much more than a matter of exchange, and that the secret lies in the intention of the exchange, in the common quest for transcendence. We also learned that we must be careful about words, which, in the same way as the gesture, can signify the world. It is important, therefore, that we use good metaphors, since the sense of poiesis, of the totality that they entail has the power to arouse not only the intellect but the whole body. When we understand the ambiguity that the body contemplates, we acquire the ability to deal with the other, with the world; we recover the meaning of life.

Learning and apprehending myself in the experience – exercising the tolerance and humility that characterize the generosity that heralds the Education of Tomorrow.

**Interdisciplinary research requires a new form of investigation**

The interdisciplinary research carried out by us, unlike other research procedures, was not guided by methods, but was founded on traces. These traces are revealed to the researcher not as the complete truth, but as glimpses of the truth. It is the researcher’s task to decipher and reorder the glimpses of truth in order to guess what the absolute truth would be, the indications of the path to follow. Interdisciplinary research can be pursued through metaphors, the construction of mandalas that originate in the act of a revelation that takes place in spiral motion. The interdisciplinary spiral, as in Physics, is not completed linearly, but along certain points. The points on the spiral are articulated gradually, not at once, but all the points that appear on it have to do with those that preceded them.

The first point is the first question raised by the researcher on the basis of his/her life experience. Personal experience leads to sensorial experience, to experiencing knowledge in all its nuances. As you experience knowledge, a path opens up for reflection on life experiences, and with the encounter with theoreticians from the various branches of knowledge.

The spiral widens with the return of personal conscience. Interdisciplinary research makes use of investigations of the type here being explained, because we understand that this is one of the ways that allows us to investigate attitudes underlying the anxieties and uncertainties of the different aspects of knowledge.

**The process of guiding research in Interdisciplinarity requires careful elucidation of concepts**

Enacting and researching teaching practice have been our main proposition over the last years. The greatest challenge that we have faced has been to cover all aspects, from the selection, the description of motives and motions involving the practices mentioned; an arduous process, where careful analysis, necessarily interdisciplinary, alternates with a rigorous discipline, which calls for a revision of areas or concepts historically organized in this field.

An attentive interdisciplinary regard retrieves the magical aspect of the practices, the essence of their movements, but above all, leads us to outdoing ourselves, or even to reformulations. Exercising an interdisciplinary form of theorizing about and practicing education demands, first of all, the exercise of an ambiguous attitude. We are so used to the conventionally established formal order agreement that we feel disturbed when challenged to think from the disorder, or from new orders that direct provisional and new ordinations.

The sense of ambiguity in its greater exercise impels us to find chaos and, at the same time, to seek the matrix of order, of a basic idea of organization. Navigating in ambiguity demands accepting the madness that interdisciplinary activity awakens and the lucidity that it demands. Its ideologizing character makes all production ‘metadisciplinary’, that is, something that is caused and is the cause, helped and helper, mediated and mediating – therefore always confrontable, inquerible, doubtable. All ambiguity arises from the deliberate action of an individual or collective subject, responding to a particular ethos. It consists of a composition of forces and intentions that converge on the act of an existential figure, a way of being in the world. The adoption of an interdisciplinary attitude involves, therefore, a universe of frameworks, experiences and thoughts, which constitute the natural logic of each individual, a trademark, the one that defines us as teachers. The professional characteristic that defines being a teacher is predominantly based on
competence, as expressed in an interdisciplinary manner in the exercise of the profession. Our challenge, therefore, is to understand how that competence is manifested.

On the basis of that reflection, we have dedicated six years of our research (1986-1991) to the quest for what characterizes interdisciplinary competence. We began the quest with a process of self-analysis, investigating the origin of our theoretical formatting, and from there, we conquered the gradual possibility of an autonomous conceptual construction, we realized we had the potential to elaborate, the ability to infer and to extrapolate, to see, ultimately, totalities.

The second level of analysis (1991-2000) led us to research competence where it appears. In this sense, we closely observed classrooms, interviewed teachers, stimulated their perception, sharpening their recourse to Memory and we found out that the adoption of an interdisciplinary approach is evident not only in the way it is exercised, but in the intensity of the searches that we carry out in the course of our formation, in the doubts we acquire and in their contribution to our existential project.

The memory retained, when activated, recalls facts, stories, epochs, but the most important material is the one that permits the analysis and projection of facts - a competent teacher, when subjected to a work with memory, retrieves the source of his/her life project and this strengthens the search of his/her personal and professional identity – the first attitude, the trademark.

We focused our studies on four different types of competence exercised:

1 - Intuitive competence – Characteristic of subjects who can see beyond their time and space. Intuitive teachers are not satisfied with the implementation of the plan drawn up – they are always seeking new and different alternatives in their work - so their daring is one of their main attributes. The price they pay is often high, because institutions are committed to rigid but hackneyed plans, and do not forgive those who dare to transgress with their accommodation. The competent intuitive person is always balanced and dedicated - but apparently is simply someone who seems innovative. Their main characteristic is their commitment to producing quality work - they love to research, because this represents the possibility of doubting -- the teacher who researches is the one who always asks questions, who encourages students to ask and to doubt. Because they love to research, they are knowledgeable – they read a lot and encourage their students to read.

2 - Intellectual competence - the ability to think is so strong and present that it naturally imprints the habit in the students. They are analytical par excellence and privilege all activities that seek to develop reflective thinking. As they are commonly seen as philosophers and as scholars, they soon gain the respect not only of their students, but also of their peers – they are the ones everybody consults when they have doubts. They are beings for whom waiting is consolidated; they, plant, plant, plant and leave the harvest for others to do. They help to organize ideas, classify them and define them.

3 - Practical competence - Space/time organization is their best attribute. With them, everything takes place according to plan. They are adept at using different techniques. They love innovation. Unlike the intuitive, they copy what is good, create very little, but through careful selection make fine copies, achieving quality results. Their capacity for practical organization makes them popular among students, who feel they can rely on them.

4 - Emotional competence - a different kind of balance is perceived in the emotionally competent teachers, a ‘soul-reading’ power. They always work with knowledge from a self-knowledge perspective. This particular form of work disseminates peace and security within the group. In their work there is a strong appeal to affection. They present their ideas through sentiments, provoking a more immediate tuning. Innovation is their highest form of boldness. Assisting in the organization of emotions, they also contribute to the organization of knowledge closer to life.

An important contribution to our research came from the studies in the area of Analytical Psychology (Jung and his followers), but this was just one of many theoretical resources used in this preliminary classification, carried out with the aim of understanding the different perspectives on the issue of competence; however a common aspects permeates them all: competence, while exercised, is revealed in the desire for a more solid theoretical foundation, for greater erudition.

Data collected over this period of several years are still valid, and we continually revisit them, in order to better elucidate the concept of competence. In each of these re-visiting, we have expanded our comprehension of the concept of competence in teaching. By expanding the concept, we extend our horizon, and this suggests actions that are freer, bolder, committed and competent.

From 2000 onwards my own subsequent studies and the research I have been supervising have been aimed at elucidating other classical concepts in the field of Education. Together with my research group, I have been worked exhaustively in the reconstruction of the classical concept of Ethics in Education. We began our work with the classical revision of the concept of Ethics, consulting traditional and contemporary authors. Alongside this exegesis, we have resorted to memory, trying to trace the self-mapping of a teacher-author. We made use of the dual exercise that memory permits: the retentive aspect,
which allowed access to the history comprehended in its complex and multidimensional motion, and the projective aspect, which enabled us to find the identity-formation traces revealed along the pathways of life. Those were the traits that allowed us to identify the whole range of reference universes that make up the totality of an existence, the matrices of reference that will trace the pattern of a professional life. This dual manner of using memory allowed us to highlight aspects or situations in which ethical ambiguity was best confronted in the course of life experiences. The more we evolved in the improvement of the lines of the contours, the more elastic the possibilities of analysis became, and unexpected situations emerged. We could apprehend, from events experienced by teachers in their life trajectory, a peculiar sense of ethics that we have identified as common sense, tolerance, subservience, deceit, calumny, collusion, authoritarianism, and so many other facets.

Encouraged by this exercise of conceptual construction and reconstruction, we sophisticated our peculiar mode of researching. We dared to define concepts seldom explored concerning the issue of the adoption of an interdisciplinary attitude, such as the concept of Aesthetics. Our first step was an extensive review of the literature on the area, as in the previous exercise, but we went one step further, by defining two poles of the concept of aesthetics: micro and macro aesthetics. We allowed ourselves to be enticed by the conceptual contradiction of the game, and to our surprise, many doors were opened, substantially increasing the understanding of the diversity and beauty that the concept proclaims. We challenged ourselves to reconstruct parallel concepts, such as heterogenesis, identity, difference, metaphor, memory. This work enabled us to exercise metaphorical language in the description of the daily routines of teaching practices, described with the help of ‘trail games’, those games that pose obstacles to be overcome at each step, obstacles that will increase in difficulty as the path or trail is being configured. We did not know where we would anchor our research; certainly not in any safe harbor, but we had always had this certainty: that we exercised our ambiguous potentiality at the maximum limit of our present capabilities and that hypothesis has secured us new partners.

Another challenge that we were determined to face in another study was that of experimenting with an analytical reading of the symbolic dimension, another perspective in the adoption of an interdisciplinary approach. Like Jung, we trod the path of dreams in order to research into it. Our poor initial concept was transformed into a thousand other hypotheses to be requested in the adoption of this attitude, such as the ability to dream, play, inquire, experience, signify, re-signify, imagine, listen, guess, sense, apply, fascinate, transform into a thousand other hypotheses to be requested in the adoption of this attitude, such as the approach. Like Jung, we trod the path of dreams in order to research into it. Our poor initial concept was revealed, on the path to the adoption of an interdisciplinary approach. Two completed studies indicate new paths on the issues of Didactics, Dialectics. As with fabric, the threads of the lesson were woven, the patches, embroidery and finish, the lecturer's project for the fabric, the course, the citizen, the professional to be formed. As in Penelope's tale, the fabric is re-woven and, in this project, the doubts: what should be emphasized in classroom didactics? Techniques, principles, attitudes? The description of the scenes stimulated by the original metaphor enabled us to amplify the significance of Didactics with a thousand new facets. Based on Comenius' proposition, we formulate the greater doubt: Is Didactics the Art of Teaching? The same question, asked in the classroom, was posed to the most important scholars in the area of Didactics in Brazil. We compared our findings with their views, we exchanged views, we established a partnership with their most noble findings, and in this exercise new aspects of the controversial concept of Didactics were revealed.

The challenge presented by the next research demanded a daring attitude. Undertaking the difficult task of deciphering the interdisciplinary meaning of Dialectics, it revisited classic and contemporary authors, to verify how the concept was constructed over time; it reviews all work carried out by a researcher of the task of deciphering the interdisciplinary meaning of Dialectics, it revisited classic and contemporary authors, to verify how the concept was constructed over time; it reviews all work carried out by a researcher of the most important scholars in the area of Dialectics in Brazil. We compared our findings with their views, we exchanged views, we established a partnership with their most noble findings, and in this exercise new aspects of the controversial concept of Didactics were revealed.

The Interdisciplinarity movement demands a new regard on integration

To see what is not shown and to reach what has not yet been achieved: this involves a new attitude on the part of the researcher-learner, the one who learns from his own experience through researching. In order to achieve that, it is impossible to regard it as a static model or a paradigm to which, for example, a curriculum must conform. It presupposes paradoxes that challenge and revolutionize the guiding paradigms, destabilizing them to lead them to a new order.

We visualize a new time that is not chronos, time for control, but kairos, a time that subverts the order of chronos, which takes advantage of unpredictability, a fluctuating time. Under chronos we submit...
ourselves to chronograms. Under *kairos*, to the opportunity to create. The concept of curriculum that this *regard* indicates is that of a curricular design where precepts of comfort and structure are present.

"Everything begins with a survey of a route freely traced in an ethereal space, however, it is the route that incites me to look into the sacred and unknown closed universe of color, unravel its mysteries, its beauty and its magic. I grope the ground, like an architect that traces the first line on a piece of paper, the first draft of a project. I stop for a while in this enclosed and restricted space, where to each color corresponds is a new route to be discovered; straight and sinuous lines, straight lines that break up and multiple semi-straight lines, uncompleted arcs just outlined, lines that take me up to the transcendence of places to be visited and to the subterranean foundations on which everything that the whole of humanity that preceded me was built. A loose game of curves and straight lines, scrabbles, sketches; like all architects, I explore the terrain, I step on it, probing it".

(Fazenda, 2000)

**Bibliography**


Internal Audit – in Risk Management Approach

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Abstract: This paper aims to present a modern approach of the internal audit function based on risk identification and assessment. The issue is composed in three parts, including a general presentation of internal audit profession, COSO framework and the methodology of Risk identification and assessment.

1. An overview of internal audit profession

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The scope of internal auditing within an organization is broad and may involve topics such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations.

Internal auditing frequently involves measuring compliance with the entity's policies and procedures. However, Internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities.

The Internal Auditing profession evolved steadily with the progress of management science after World War II. It is conceptually similar in many ways to financial auditing by public accounting firms, quality assurance and banking compliance activities. Much of the theory underlying internal auditing is derived from management consulting and public accounting professions. With the implementation in the United States of the Sarbanes-Oxley Act of 2002, the profession’s growth accelerated, as many internal auditors possess the skills required to help companies meet the requirements of the law.

The objectives of early internal auditors were primarily built around the protection of assets and detection of fraud. Consequently, the auditors concentrated most of their attention on examinations of financial records and on the verification of assets that were most easily misappropriated. A popular idea among management people a generation ago was that the main purpose of an auditing program was to serve as a psychological deterrent against wrongdoing by other employees.

The internal auditing function has undergone significant changes in the last century. The main objective of the Internal Audit function has moved from that of fraud detection to assisting management in making decisions beginning with a risk assessment. The Internal Audit staff of today is considered a good training ground for management-level personnel, but many organizations have outsourced the entire IA function.

Also in the 1990s, one trend caused a change in the way the Internal Audit function was carried out. Outsourcing became a popular way for organizations to employ the Internal Audit function. The role of the Internal Audit function was served by public accounting and other providers. The IIA Standards and Statement have evolved further and now have the cornerstone of risk assessment.

In present days, knowing about and understanding both internal and external risks that can potentially impact the organization, and ensuring that these risks are managed to an optimal level, should be top priorities for board and audit committee members. This is enterprise risk management (or ERM).

ERM helps ensure effective reporting and compliance with laws and regulations and helps prevent losses — whether in the form of revenues or reputation. An ERM approach to risk is applicable to any organization, regardless of its industry or sector. Inherent in the ongoing ERM process are a variety of activities that help an organization achieve its performance and profitability targets. These include aligning risk appetite and strategy, enhancing risk response decisions, reducing operational surprises and losses, identifying and managing multiple and cross-enterprise risks, seizing opportunities, and improving deployment of capital.

2. COSO Framework and Internal Audit approach

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) states that ERM is a process, effected by an entity’s board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO comprises five major professional associations: The Institute of Internal Auditors (IIA), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), and the Institute of Management Accountants (IMA).

COSO’s Enterprise Risk Management — Integrated Framework defines essential components, suggests a common language, and provides clear direction and guidance for ERM. Enterprise risk management requires an entity to take a “portfolio” view of risk, which examines the entire organization, from the enterprise level to a division or subsidiary, to the level of a single business unit’s processes.

Within the context of an entity’s mission or vision, management establishes strategic objectives, selects strategy, and sets aligned objectives cascading through the enterprise in four categories:

- Strategic – high-level goals, aligned with and supporting its mission.
- Operations – effective and efficient use of its resources.
- Reporting – reliability of reporting.
- Compliance – compliance with applicable laws and regulations.

This categorization of entity objectives allows a focus on separate aspects of ERM while taking a holistic approach to risk, and enabling management to consider how individual risks interrelate. The distinct but overlapping categories, as well as safeguarding of resources, address different entity needs and may be the direct responsibility of different executives.

ERM must be integrated with management processes. It examines eight interrelated components:

1. Internal Environment – management sets a risk philosophy and establishes the entity’s risk culture and risk appetite.
2. Objective Setting – management considers its risk appetite in the setting of objectives.
3. Event Identification – management identifies the events, both internal and external, that present risk or opportunity to the organization. Opportunities are channeled back to strategy and objective-setting processes.
4. Risk Assessment – the likelihood and impact of risks are assessed to clarify the extent to which they might impact objectives. This employs a combination of qualitative and quantitative methodologies and forms a basis for the management of those risks.
5. Risk Response – management makes the decision as to whether the risk should be avoided, accepted, reduced, or shared; and then develops a set of actions to align the risks with the organization’s risk tolerance.
6. Control Activities – policies are established to ensure management’s risk responses are carried out effectively.
7. Information and Communication – thorough and timely communication takes place to ensure roles and responsibilities can be performed effectively in the process of identifying, assessing, and responding to risk.
8. Monitoring – ongoing ERM monitoring occurs, and modifications are made as warranted.

According to this the COSO – ERM Framework is show in Fig. 1.
All managers have to make decisions in the face of uncertainty. Risk is the possibility that they will experience adverse consequences from these decisions, or not successfully exploit the opportunities that become available. The objective of risk management is to enable managers to take risks knowingly, reduce risks where appropriate and strive to prepare for a future that cannot be predicted with absolute certainty.

Risk management is not the responsibility of the internal audit function. Management may require internal audit to perform the function but this means the involvement of internal audit in the day-to-day running of the business which can impair auditor objectivity. Many large organisations have separate risk management functions. Internal audit’s job may be to assist that function or the board by:

- providing objective assurance on the adequacy and effectiveness of the risk management and internal control framework;
- helping improve the processes by which risks are identified and managed;
- helping strengthen and improve the risk management and internal control framework.

Internal audit can provide advice on the design, implementation and operation of control systems, identify opportunities to make control cost savings, and promote a risk and control culture within the organisation.

Internal auditors can also act as facilitators, guiding managers and staff through a self-assessment process, perhaps by leading workshops. Internal audit can also become a centre of expertise for managing risk by providing enterprise-wide risk management services.

In order to do all of this, internal audit needs to be aware of how risk management works.

Any system of risk management and internal control needs to be aligned with business objectives. Business objectives and risks relating to those objectives can be classified in many ways. One classification is as follows:

- effectiveness and efficiency of operations (including profitability customer service, and corporate responsibility, for example);
- reliability of internal and external reporting (i.e. internal financial control);
- compliance with internal and external regulations.

Another classification might be as follows:

- business risks (relating to the economy, technology and competition, for example);
- financial risks (relating to liquidity, interest rates, exchange rates and the misuse of financial resources, for example);
- compliance risks (such as a breach of stock exchange regulations, non-compliance with accounting standards or company law, and non-compliance with tax or environmental regulations, for example);
- operational risks (such as loss of assets, poor service levels, employee-related issues, or a shortage of raw materials, for example).

### 3. The methodology of risk identification and assessment

Risk management is a dimension of good management that requires the following steps:

- establish a business framework;
- identify all significant risks;
- measure risks;
deal with the most important risks;
monitor arrangements.

3.1. Establish a business framework
A clear business framework should be developed for risk management. This should be documented within a formal risk management policy and should include: the corporate attitude to risk and its risk appetite; the types and levels of risk that are considered acceptable; responsibilities for risk management; risk should be considered during all management initiatives, but specific risk management aspects should be assigned to named managers; an outline of the formal risk management procedures, review and reporting timetables; procedures to ensure a suitable level of risk awareness and communication across the organisation.

The setting of clear, documented corporate and departmental objectives is a precondition for risk management. Responsibility for risk management rests ultimately with the board (or equivalent) who should retain responsibility for the major risks the organisation faces. However, all levels of managers and staff should be responsible and actually feel they have responsibility for the management of risk in their particular area.

3.2. Identify all significant risks
Effective managers should be aware of the risks in their area of responsibility. However, each organisation will benefit from ensuring that the identification and assessment of risks is conducted in a structured way at each level within its management hierarchy. This should include a top down approach at corporate level; a bottom up approach at departmental or section level; and an analysis of the links between these two approaches.

The senior management team and departmental managers should be responsible for conducting a detailed identification of the risks the organisation faces in achieving its corporate objectives. Meetings should be held with groups of managers at each level within the organisation to: brainstorm risks facing each activity undertaken; identify existing controls to mitigate risks and further action that is necessary; identify named managers responsible for each risk and associated control action; agree the monitoring action to be undertaken.

In some organisations, risk management has developed from the insurance function. However, risk management should be concerned with more than just the insurable risks. It includes all the uncertainties and opportunities that an organisation faces. These risks may be analysed as follows:
- political/policy;
- corporate issues;
- personnel issues;
- financial;
- commercial;
- legal/regulatory;
- health and safety;
- operational;
- reputational.

In order to provide a structure for risk analysis, and to help allocate responsibility for managing different types of risk, risks need to be categorised appropriately. One method of risk classification is to reflect broad business functions, grouping risks relating to production, information technology, finance, and so on. However, directors also have to ensure that there is effective management of both the few risks that are fundamental to the organisation’s continued existence and prosperity, and the many risks that impact on day-to-day activities, and have a shorter time frame compared with longer-term strategic risks. These two types of risk can be categorised as strategic and operational respectively. Having categorised risks, management can then analyse the probability that the risks will materialise and the hazard (impact or consequences) if they do materialise.

**Strategic risks** are those that arise from the fundamental decisions that directors take concerning an organisation’s objectives. Essentially, strategic risks are the risks of failing to achieve these business objectives. A useful subdivision of strategic risks is:

Business risks – risks that derive from the decisions that the board takes about the products or services that the organisation supplies. They include risks associated with developing and marketing those products or services, economic risks affecting product sales and costs, and risks arising from changes in the technological environment which impact on sales and production.

Non-business risks – risks that do not derive from the products or services supplied. For example, risks associated with the long-term sources of finance used.

Strategic risk levels link in with how the whole organisation is positioned in relation to its environment and are not affected solely by what the directors decide. Competitor actions will affect risk levels in product markets, and technological developments may mean that production processes, or products, quickly become out-of-date.
Operational risks - Although boards need to incorporate an awareness of strategic risks into their decision making, there is a danger that they focus excessively on high-level strategy and neglect what is happening ‘on the ground’ in the organisation. If production is being disrupted by machine failure, key staff are leaving because they are dissatisfied, and sales are being lost because of poor product quality, then the business may end up in serious trouble before all the exciting new plans can be implemented. All of these are operational risks – risks connected with the internal resources, systems, processes, and employees of the organisation.

Some operational risks can have serious impacts if they are not avoided. Other operational risks may not have serious financial (or other) impacts if they only materialise once or twice. However, if they are not dealt with effectively, over time – if they materialise frequently – they can result in quite substantial losses.

When identifying risks many managers will identify the symptoms of risk. However, to enable risks to be effectively managed the underlying reason for the risk exposure (its cause) will have to be identified.

3.3. Measure risks

There are two aspects or dimensions to measuring risk:
- the impact of the risk - what is the potential damage that the organisation faces?
- the likelihood of the risk - how likely is it that the damage will occur?

One approach to measuring risks is by assigning values and probabilities to each risk. The usual method of scoring risks is to assign a level (e.g. high, medium, low), or score (e.g. 1 to 5) to the consequence and likelihood of the risk. Where levels are assigned a numerical value, consequence and likelihood scores may be combined (for example, by multiplication, or by ranking on a grid) to provide an overall score. So for example, the score of the highest risk would be 25 on this basis, when using a 1 to 5 scoring range.

Risks are often placed on a grid as follows:

<table>
<thead>
<tr>
<th>High impact, high likelihood</th>
<th>High impact, low likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low impact, high likelihood</td>
<td>Low impact, low likelihood</td>
</tr>
</tbody>
</table>

Fig. 2 – Likelihood – Impact matrix

The approach adopted should be kept as simple as possible. At one extreme risks could just be assigned to one of the four quadrants in a risk evaluation matrix such as the one included opposite. As a compromise the impact and likelihood of a risk could be identified as being high, medium or low.

A number of organisations have found that control self-assessment type workshops are a useful means of identifying and assessing the significance of the risks that the organisation faces. In this case a facilitator can help a group of managers to brainstorm the full range of risks that exist. They will then collectively determine the significance of each of the individual risks.

The assessment and classification of risk will be different for each company and internal audit can help management by commenting on the criteria used for classification, for example and on how the criteria have been applied.
Unacceptable: Immediate action required to manage the risk
Issue: Action required to manage the risk
Supplementary issue: Action is advisable if resources are available
Acceptable: No action required

Risk appetite
IR = Inherent Risk, RR = Residual Risk

Fig. 3 Grid showing the significance of risks

3.4. Deal with the most important risks
The process of identifying and measuring risks may be referred to as risk profiling. Once the risks have been profiled the most important should be reviewed to ensure that they are being effectively managed. There are four main ways of dealing with risks:

- accept;
- reduce;
- avoid;
- transfer.

Risks may be accepted if they have a low impact or are not likely to occur. Risks with a high impact but low likelihood may be accepted, but plans should be developed to ensure the continuation of the smooth running of the organisation if they crystallise.

Risks may be reduced by improving internal controls by, for example implementing internal audit recommendations. Risks need not, and often cannot, be eliminated, but they should be reduced to a level that is acceptable to the organisation.

If the risk is too great for the organisation and it is not practical to reduce the risk then the risk should be avoided.

Insurance is the usual way of transferring risks especially high impact risks that cannot be accepted. As an alternative the risk may be transferred by contracting out certain functions or through joint ventures.

3.5. Monitor arrangements
Once the key risks of the organisation, department or section have been identified, assessed and appropriate action determined, this process should be monitored and kept under review. A full review of the risks that the organisation faces should be undertaken at least once every three years. In addition, each year the risk management process at each level within the organisation should be formally reviewed. The risks that have crystallised and any changes to the impact or likelihood of each significant risk should also be considered.

One way to achieve this is to combine this process with existing business planning routines such as revising the strategic plan or developing annual budgets. This could be achieved by requiring managers to complete and report risk matrices or maps for their area of responsibility. An example of a possible format for such a risk matrix is shown.
Where necessary further action should be agreed to deal with unacceptable outstanding risks. Departments should report to senior management and senior management should report to the Board on the results of this risk review process.

**Conclusions**

A proper system of internal control in practice requires a proper system of risk management and organisational control. This article focuses on the risk management element of internal control and how internal audit can assist in this area. Risk management is now an important feature of management in both the public and private sectors.

The higher profile of risk management in recent years has led some internal auditors to consider developing a risk-based approach to internal audit. However, risks do not exist in isolation. They are the results of the objectives of the organisation or system not being achieved. Risks should be considered as an integral part of the systems approach to internal audit. This should allow the adequacy and reliability of the existing controls to be considered within the context of the overall system that is being audited.

**Endnotes**


[http://www.coso.org](http://www.coso.org)
[http://www.ifac.org](http://www.ifac.org)
[http://www.pwc.com](http://www.pwc.com)
BI...- Theory, Reality or Marketing Concept

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Key words: business intelligence, decision support, SCM, CRM, data warehouse

Abstract: Current trends in digitization, globalization and unregularization led to affect the balance of power between sellers and buyers, or between investors of capital and investors of competence. Information technologies are those that open the way for an accelerated globalization, providing that platform that enables customers to use their collective bargaining power, making the docile customers who accepted everything offered by the market in demanding dictators. It made a transfer of power from sellers to buyers. In these times of crisis, new technologies in general and specially business intelligence are particularly important, their purpose being the support it can offer to the management of any organization in taking decisions as correct in a short time.

1. Current economic environment - heaven or hell

Age which we cross represents buds of a new civilization, a movement from world-clock\(^1\), by covering materialism, mecanicism and of recently gone industrial civilization. The economy today has become postindustrial, postmodern cultural, postnational society and even more were triggered emerging post-communist and capitalist processes. If economies of central type, where entity received a "modus Vivendi" rather stationary has been uneffective, now came the turn of market economies that in their time have radically changed the way of economic life to be replaced. Market, which remains the dominant institution, has to be seen as a mechanism of separation efficiency of inefficiency, through a higher social empowerment of the act of making decisions, which must consider the implications which go beyond the horizons of the organization.

The 44th U.S. president was invested in front of over 2 million people, and all news agencies titrated that the U.S. is entering in a new phase, in fact the whole world was entering a new phase. The famous conflict between science and religious dogmas is like forgotten when Gabriel Funes, astrology Vatican theologian, said in an article\(^2\) that you may believe in God and aliens alike, filling a declaration made by Pope Ratzinger himself in 2006 that said that as we admit that there are several races of people why we won’t accept that there are other intelligent life forms. The evolution of today’s world is characterized not so much by change but precisely by the relativity of change, what today is a universally truth valid tomorrow will not have the same truth value or may be totally invalidated by new discoveries, which in turn in a short time-frame will be called into question.

It is natural, even if chaotic, world of today go into a new phase, today's world begins to have increasingly less in common with the world of yesterday and not give us any idea how we will shape tomorrow's world.

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\(^1\) René Descartes (1596-1650) introduced the “Treaty of man” idea of man as a “living machine” ... Descartes, along with other philosophers of the time Newton, Bacon creating a mechanistic picture of the world ... everything around us is going in a certain time and for any reason.

The global economy is renewed every day. Today, going through a difficult period marked by a global economic crisis that is beginning to be felt globally effects. Now more than ever it comes to rethinking the whole economic system as a consequence of the fact that we are in constant and universal competition at level of individuals, companies, countries, countries. Internationalization has led to the propagation effects of crisis and even amplifying them.

There are not few people who rediscovers Marxist vein knowledge in an attempt to justify interventionist measures of the state, bringing back to public attention those stated by Marx on the global economic evolution. It seems absurd that in the temple of capitalism, U.S. to resort to nationalization of banks, insurance companies, to survive.

In a more positive approach, not a few are those who see the glass full of considering the current period may be the opportunity for a new best world order.

There are opinions that believe that globalization is a process that always runs through history, human society being continuous expression of knowledge.

New world order today is based on other principles. Thus, if the pre-global world was based on the principle of adversity, global world is based on the principle of competitiveness, which is the officer principle of the world in which man essentially depends on himself, of what he creates and innovate, of the knowledge as prevalent resource.

Under the empire these changes, transitions and transient\(^1\), the economy is redefining the role of social science, when the house\(^2\) is transforming, becomes necessary to transform and how to lead the house\(^2\), when the means are increasingly scarce and goals more complex\(^3\), when production, sales, market and consume not only goods and services but business itself are regarded as "goods or services" that can be produced and sold, it's absolutely normal or even imperative that economy, a regulating factor of the whole society to find those ways, levers, processes that would adapt to an increasingly complex environment.

The economic environment is a dynamic environment under political influence, of the new technological advances, of the social and why not, even if not with the same intensity as in times not long gone under the influence of religion (in many areas of the world even today there are countries whose economies are influenced by religion).

At the same time, regional integration processes affecting and shaping international relations, creating a complex international system. Thus the current international system is the result of the opposite event, simultaneous and interconditionated of two processes - globalization on the one hand, as centripetal vector, integrating and tracking / fragmentation as centrifugal vector, entropic. So, we find currents on the view of the current international system unipolarity respectively trends of development of a multilateral and multipolar universe. Early multipolarism in the current international system is generated by the rise of state actors - Russia, China and the EU super-state.

The fall of the Iron Curtain has led to change the concept and practice of multi-sector security (polito-military, economic, societal, environmental), significantly increasing concern for regional factors and elements of security to the detriment of international ones.

When internal and external aspects of security are inextricably linked, the old order of international relations and the principles governing changes in an accelerated way, the necessary innovative approaches and tools tailored to the current conjuncture.

However, the emergence of new economic power not only increases the growing competition for access to resources and markets, but also changing the balance of power in the world political system.

The economic growth and global demand for energy consumption, both in Western societies and the emergent Asian (such as India and China), increase in fuel prices (particularly oil), energy dependence from producer countries (in many cases countries with unstable political regimes and non-democratic) and ending fuel reserves problem prompted the energy issue firmly on the agenda of global organizations, regional bodies and states.

Paraphrasing a blogger, economists today must be capable of predictions in the short, medium and long term then that can explain why nothing of what they predicted was not happened. To confirm let's remember that Paul Krugman, the latest Nobel laureate for economics, accused himself in an interview that could not predicted financial crisis and it's devastating effects ... "I feel rage at me because I did not understand how deep we are at the mercy of financial domino effects ...", said in a radio interview shortly after receiving the prize.

We live in an increasingly dynamic world in which trends, ideologies, ideas have a life cycle all lower. Managerial orientation of the last century was based on the adage "more is better", turning us to into real

\(^1\) Transient - term you use Alvin Tofler to highlight differences in transition - conversion from old system to a new system that requires a defined, known, and transforming the processes leading to conversion to a new, undefined, governed rules and regulations do not fall into existing value systems.

\(^2\) Economy-from Greek οίκος [OIKOS], 'house' and νομός [nomos], 'Board') is a social science studying production and sale, trade and consumption of goods and services.

\(^3\) Lionel Robbins in 1932 in Essay on the nature and importance of economics define economics as the science that studies how the allocation of scarce resources for alternative

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products devouring, in perfect consumers. Philosophical claim *Je pense donc je suis* turning into grotesque *I buy therefore I am*.

From a study on life-cycle management of post-1950 trends, it shows that trends have the same characteristics as any product alternating growth phase with the decline, as well as decreased life of products decreased and the life of ideas. 50 years ago a stream management, from conception to implementation, had to go through a period of 15 years, late 90 this period was three years.

Shortening the life cycle presents a huge risk because it is cluttered the evaluation of validity, the usefulness of those theories that formed the basis of certain ideas. This is one of the financial crisis causes underlying the current economic crisis.

After the liberalization of financial markets were invented all kinds of banking products have proved extremely damaging to the financial system. Subprime loans are just one such innovative banking products that allow access to credit of ninja (no income no job and assets ...). The value of shares increased, bankers taking their incentives and everyone was happy ... that until maturity or, to be more specific, until the maturity. So banks and industries that have survived both world wars could not resist freedom. Because freedom is good but without responsibility is anarchy and chaos.

Current trends in digitization, globalization and unregularization led to affect the balance of power between sellers and buyers, or between investors of capital and investors of competence.

Information technologies are those that open the way for an accelerated globalization, providing that platform that enables customers to use their collective bargaining power, making the docile customers who accepted everything offered by the market in demanding dictators. It made a transfer of power from sellers to buyers.

In these times of crisis, new technologies in general and specially business intelligence are particularly important, their purpose being the support it can offer to the management of any organization in taking decisions as correct in a short time.

2. Computerization of business as necessary

Since there are businesses, there were employers, managers and investors trying to find a sense of the figures. Companies that understand revenue trends and consumer preferences have been able to adapt their products and services to market needs and gain market share and become successful in comparison to the competition. For example for a company with 10 customers and 5 products, revenues, costs generated by the production and sale of those products, gross margin in the last 24 months, generates 3,600 transactions to be analyzed and interpreted. It is very difficult to review so many figures with pen and paper only. In modern times, computer and databases make work easier. Yet ever more economic and financial information should be collected from various internal and external sources such as: from clients, from manufacturers, information on sales, web sites information, databases statistics etc.

Matching information from databases with hundreds, thousands and often millions of transactions generated each month, managers and analysts search for effective ways to analyze these data. The main feature of today's economies is an increasingly fierce competition between businesses. Managers on different levels but especially those at the strategic level are faced with taking the right decisions more quickly to survive in such an environment. This is possible only if you have quality information to help in the interpretation of situations and to offer real support to substantiate decisions.

In today's world, only flair, management talent are not sufficient to create lasting business. Vision supported by reliable information obtained on the right moment will enable to adapt decisions to market requirements. "Better answers, faster" is the motto under which one of the prestigious companies present their information solutions that help companies to achieve "power to know" what to do with the information.

Increasing complexity of the structure of business, relationships between companies, by creating new business processes, targeting those business processes to customer and recently to client relationship, the globalization of markets, customers and businesses, the emergence of new technologies such as Internet or e-commerce are the conditions that led to the emergence of a new essential production factor, namely information. This has led to implementation in the firms of an entire portfolio of systems to allow operation of existing information within the organization.

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1 René Descartes - Discourse on Method (1637), better known as latin variant Cogito Ergo Sum of Principles of Philosophy (1644)
2 Slogan on a print of Tate Magazine in 1987 belonging to Barbara Kruger, I shop therefore I am the original
3 Better answers, faster
Fig. 1. Diversity and high volume data sources appropriate to the management of new organizations

In a market located in a permanent process of diversification, encountering a large number of customers, applications and with a comprehensive range of products and services, more often companies ask themselves, the question: "How can data be used better / information obtained through various channels?". Using information technologies to enable exploitation of this new type of resource, information was and is seen as the solution to all problems that may arise in a company, so that companies accordingly with their ability and resources have gone to "great computerization.

Although to some extent the acquisition and implementation of new information technologies by a firm can be considered an increase of the value of information, as intangible asset, this does not mean by default optimal operation parameters of the potential of organizational knowledge.

Latest trend in developing IT solutions for business are systems like the Business Intelligence (BI) and Business Performance Management (BPM). These systems have applications in any business activity, with applications in financial consolidations, planning and budgeting, strategic management, cost management and profitability.

Today businesses across a fundamental change in terms of decision-making processes, and this cannot be ignored without consequences for the efficiency of the entire company. Delegating responsibility is a requirement especially for large organizations as keeping decision-making powers only to high levels can lead to blocking activity. In this context, management solutions and data analysis and reporting tools chosen by each organization must be able to support a complex and varied activity.

According to CEMA Division (Central Europe, Middle East and Africa) of the company's IT market research, IDC, spending on solutions for business intelligence (BI) of Romanian companies and institutions, were recorded last year a growth of 17.2 %.

Integrated BI systems provide data extraction, data analysis, removes irrelevant information, risk management, and support for management decisions with high speed and an almost perfect relevance.

Business is driven by IT systems in the BI and don't depend on the IT department.

A common feature of Central and Eastern Europe is that BI solutions are still part of resource planning system in the company (ERP).

This is not an inconsistency of the market, but a stage of development in an emerging economy such as the Romanian one, considers specialists.

3. What is BI ...???

We did an exercise and asked several people in my entourage (teachers, students, managers, economists, engineers, sociologists ...) what they understand as Business Intelligence. Result was an amalgam of views quite different in terms of each experience. Those related to IT were inclined to regard the concept related to information systems and especially expert systems, those in Economy bound term to provide a relationships framework to enable better deployment of business processes, many have linked the term intelligence to term smart reaching to those smart guys, others influenced by the term Intelligence felt that refers to economic espionage. Although these different and even contradictory opinions, all can be considered correct.

Business Intelligence (BI) is a fashionable term, a buzzword as the Americans say, proven by the approximately 40 million references on a Web page returned by Google (twice the results returned for the query - "Information System"), and yet remains a vague concept and even untranslatable. BI-from case to case can be treated as marketing processes, part of strategic planning or as part of Information Management, of knowledge management or a component of information technology.

Various articles and other published materials that refer to this concept avoids to translate or to find a Romanian correspondent. No translation like inteligenta afacerii or afacere inteligenta does not meet the
concept area that is more complete and more complex. Wikimedia "light" us considering BI as knowledge, technology, skills, applications, policies, rules used in order to better understand the business context.

Maybe it is easier to define this term BI by what it is not:

- BI is not a product. While there are many products that can help us in implementing BI solutions, BI is not a commodity that can be purchased and installed to solve business problems.
- BI is not a technology. Although instruments such as Data Warehouse, relational databases, ETL tools type, interface BI tools, server technologies are used in the implementation and operation of these solutions, BI is not just a technology.
- BI is not a methodology. Although the use of an appropriate methodology is essential to the success of any BI project, it should be combined with existing technology solutions and heavily depends on organizational change involved.

Steve and Nancy Williams¹ believes that BI is a combination of products, technologies and ways of organizing information that supports key management organization to obtain more revenue and to improve performance. Addressed from this angle the concept of BI can be considered part of the social responsibility of business that, according to Nobel laureate for economics, Milton Friedman, is to increase profits. The reality today shows that things are a little more complex and that the note, a little Machiavellian, to obtain profit at all costs, is no longer current. Social responsibility of business is more added value creation and not just to increase profits. Bechtel obtain huge profits by charging prices well above actual costs but in the social responsibility chapter nobody knows how they can "cover" with the few tens of kilometers of highway completed in 5 years.

Today's managers are constantly faced with new challenges when they make decisions. Traditional brands that have managed to cope with very harsh conditions, with tens and even hundreds of years of experience in business have gone bankrupt or are threatened with extinction due to slowness in adapting policies to the new course of economic management. From Main Street to Wall Street, the pace of business decisions gradually increasing (Vitt, Luckevich, & Misner, 2002). Those companies that manage to create a competitive advantage and develop business strategy far superior for rapidly changing markets, will advance the slow companies with a slower growth rate. Although we live Age of information, when huge amounts of data are available, we often face the inability to understand what that data means. Faced with an ever more intense competition, managers have been forced to seek solutions to be more competitive. Naturally they have turned to that "beaten track" represented by economic theory based on capital, profit driven and organized in hierarchies. They began searching efficiency by reducing staff costs by creating innovative products, through overexploitation of existing resources, not understanding that they can't control a number of factors that will influence the business (low demand, inflation, dishonest practices, underground economy). In fact, today's managers discovered that what has changed is changing.

Peter Drucker influenced by the changes they have suffered at the end of last century, some of the big American companies said in an article in the Wall Street Journal, that the economic transformation must be based... "a desire to re-think and review theory of business of the company. It is necessary to stop to say "we know" and we say "to ask". And here we meet two sets of questions that must be asked. First: Who are our customers and who are non-customers? What is the value for them? What are they paying for? Second: What do successful companies do and we do not? What are they assuming from what we know that we were wrong?"

In an attempt to adapt to new market demands many corporations have made investments in acquisition of information technology. But even if the power of technology we have today is very high, technology alone will never solve a business problem. Specifically, regardless of the tech level a company reached, to progress it always will require people to take effective decisions.

We often ask ourselves what is the secret to a successful business. Many successful businesses were built by visionary people who knew either to identify a request of a good or service even more to create a demand for goods and services that didn’t exist at baseline. But not all business men are innovative and the less visionary, yet could build sustainable business success. Quality is to identify that optimal balance of factors that may affect a business. Of course, as I said are factors that we can not control and which will radically affect a business. For such situations, and not only, the secret is to find that "ingredients" that connects information, people and technology required. It is the role of BI.

BI is a new term originally used by the various providers of software solutions, a term of "umbrella" that characterize a wide range of technologies, software platforms, applications and procedures.

Hancock and Toren (Hancock & Toren, 2007) consider BI as a set of concepts, methods and technologies designed to track a target difficult to define, which separate data generated by various applications to be processed in useful information and even knowledge.

The complexity of the term requires three distinct perspectives (Vitt, Luckevich, & Misner, 2002):
- Making better decisions in less time;

¹ Williams, S., Williams, N., - The Profit Impact of Business Intelligence, Morgan Kaufman Publishers, San Francisco, 2007
- Transformation of data into information;
- Use a rational approach of the management.

Better decisions in less time;

The main purpose of a BI solution is to help people make decisions designed to increase a company's performance and to promote competitive advantage in the market. BI gives companies the power to make decisions faster and better.

In an ideal society regardless of level managers are, from simple supervisor to executive manager (CEO1) make decisions based on their experience, their level of understanding of the business, of a particular business context, its interpretation of business plan, information held. Not infrequently the experience, understanding and strategies involved in decision making are fairly static and change with the times very difficult under the influence of resistance to change which is shown by most people with age.

However, by definition, information is always new, one of the key defining property is that of degree of novelty it brings, which means an accelerated pace of change / modification and on a large scale. Most often these changes are difficult to control and interpret as identifying the business significance and influence of these changes.

The simplest way of making better decisions translates into improved decision-making process by reducing the number of poor decisions and a growing number of good decisions. The entire process improvements decisions will materialize in added value through better achieve the objectives of the organization.

BI facilitates decision making, assessing whether the actions to be taken are or not favorable to the organization. Thus, choosing the best decision for an organization are achieved through a set of clearly defined objectives and a plan for achieving them.

The relationship between the general plan of organization and BI is not unidirectional. First BI use plan as the unit of reference for assessing the quality of decisions and also, on the other side, BI has a very important role in creating strategies and plans.

Most areas of activity acting at a very high level of competitiveness and business opportunities are strictly subject to time. It goes without saying that those who see business opportunities, but decide to take advantage of them too hard, they will loose to their faster rivals. Thus it is important that decisions are not only good but also be taken at the appropriate time.

Speed of response, the speed with which decisions are taken affects obtaining feed-back in an organization. Delays in obtaining information and the unfit shape for purpose and when they obtained the information may adversely affect the decisions taken which can materialize in the loss of customers and opportunities, or by continuing to produce a product which is not much market demanded at that time.

BI has a well defined purpose, which is to optimize the management of information resources. At the level of an organization every day are created, collected, processed, converted large amounts of data and information relating to orders, inventory, suppliers, prices, banking data, economic transactions, customers, etc.. The company also must use information from external sources on inflation, interest rates, taxes, demographics, mailing lists. Recent studies show that more than 93% of the records in the organization are not used in making decisions. If we consider that most companies have invested lately enormous amounts that sometimes reach up to half of the company capital in information technologies get dire picture of a system loss and lack of performance.

Strengthening and organizing data to improve business decisions can be the basis for obtaining competitive advantages and the manner by which a firm "learns" to use those benefits is related to BI industry.

The amount of data in a business increases exponentially, in fact at an interval of two, three years it doubles. More information means more competition. In the age of information explosion, executives, professionals, employees must make decisions better and faster, because now it is more true than ever that time is money.

In a modern organization, the center of gravity moves from the need to implement new technologies, to the ability to use them intelligently, so that they make most for the organization.

Business Intelligence solution means more than one computer - a business concept, recently became a topic which is being given increasing attention to various management levels.

BI tools can integrate data collected in all computer systems and solutions from one company - CRM (Customer Relationship Management), SCM (Supply Chain Management) and ERP (enterprise resource planning) - and will produce a complete and overall image of it's performance.

The concept of Business Intelligence means, broadly, the capacity to transform raw data into relevant information, information into knowledge and knowledge into decisions and actions, contributing, ultimately, to increase the performance of the organization and, thus, profit.

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1 Chief Executive Officer
BI broadly as a system must use information on business, the results obtained by analyzing this information based on key business processes and reference to a specific context, leading to decisions and actions that result in improved company performance.

Whatever the scope and size of business, the main objective of any company that acquires a much greater importance during periods of economic decline, is to increase revenue and/or cost reduction, resulting in improved business performance and hence increase profit.

Fig.2. Practical approach to BI solutions

In short, business intelligence solutions enable organizations to access, analyze and share in common information, both internally among employees of the same company and externally with customers, suppliers and partners.

These are tools that assist organizations to improve efficiency, create profitable customer relationships and develop differentiated product offerings.

Most times, the role of IT in an organization is crucial for achieving by organization’s management the necessary information for decision-making process. This can transform IT into a so-called “bottleneck” - a factor that hampers the activity of the company. Lack of qualified personnel, training and maintenance costs make more acute this issue.

Fig. 3. The role of BI ...
Suppose that decision makers have access to necessary information through easy to use tools so that they could base the better decisions in a short time? Clearly, a number of activities will be more efficient and safer, with beneficial implications. This is basically "the promise" that business-intelligence solutions do: making existing company databases accessible at any level through analysis and reporting functions easy to use.

4. Conclusions

Information systems to assist decision and business intelligence tools tend to be ubiquitous elements within companies. The dynamics of economic and contemporary information explosion makes use of different types of systems to assist decision-making a necessity. Despite the limitations imposed by computer failure perfect reproduction of human reasoning, information systems for management is now an indispensable tool for the modern manager, the vast majority of routine decision making, decision-making process with the necessary information search and retrieval techniques of information is taken completely by these systems. Furthermore, their continuous improvement, coupled with improved computer performance, it provides enhanced acquisition of segments of increasingly comprehensive reasoning activity performed by human decision-maker.

Category of the systems that support decision-making may be defined by the term business intelligence. This is about all kind of information instruments that adds "intelligence" to business process. Traditional application integration, operational, with a range of programs for data analysis and from the category of expert systems provide a basis to assist effective decision making.

My opinion is that as the various categories of information systems in the organization helps to manage activities and resources BI helps us manage information and knowledge, information that is on the one hand the result of working in the mentioned systems (internal source) and on the other hand external information, mainly unformalized which through a refining process is transformed into knowledge by reference to a specific purpose.

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The Influence of Group Member’s Personality on Inner Group Relationships

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Key words: personality, temperament, motivation, human interaction, conduct

Abstract: There is a direct relationship between personality types and professional behaviour, this leads directly the employee efficiency and productivity. Every profession involves a certain attitude, a certain behavior on the part of the practice. Given that there are several types of personality and can speak several types of professional behavior. Among the basic traits of personality with important role in professional success achievement, we can mention: the skills, attitudes, character, temperament, creativity and, last but not least, the motivation. All personality traits have a certain professional behavior in the labor environment and at the workplace which in turn makes the performance work.

Human behavior can be described as a personal relationship with those around us, a relationship between our self and the outside world, social and natural, that we try to integrate in the natural world’s harmony or in society. It includes many specific manifestations of human individual in relation to particular relationships situations with external stimuli received.

About the human personality

There are attributed a multitude of definitions to the personality, and one of the most used is that of Gordon Allport, who says: "Personality is the dynamic within the individual of those psychophysical elements that determine thought and behavior characteristic".

Personality meets those structural and dynamic properties of the human being that reflects himself in the characteristic responses which they give in different situations. More generally said, the personality expresses the specific way in which a person relates and adapts to the environmental conditions, which means that personality is the result of the complex interaction of several categories of factors namely: genetic inheritance (biological), physical environment, culture, personal experience, group experience.

The theories of the personality focus on the existence of elements (attributes) or the internal structure of the human being considered to be the major determinants of personality. In time they were offered a variety of expressions referring to the alleged final elements of personality as "instincts" (Freud), "values" (Murray), "constant" (Kelly), "needs" (Maslow) "purposes" (Pervin) etc. But of all these, the most influential and longest-running quiz concept proved to be the "personality trait".

The most powerful and lasting personality traits, which do not confer social value to the person, but prints a dominant note of all experience and behavioral manifestations, are temperamental traits. Our attention is firstly drawn by the energetic and dynamic aspects when we notice a person's conduct. The speed and rhythm of speech, gestures and pantomime, the presence or absence of emotional reactions come, the level of impulsivity or state of calm, reflect the particularities of individual temperamental. Analysis of interactions between different temperamental types may explain why some appear attractive, or reciprocal preferences, on the contrary, the disagreement between people who come into contact within a group.

1 Gordon Allport, 1981, p. 40
2 Neculau A., 2004, p. 73
Temper is a concept relating to all aspects of formal effectiveness and action\(^1\) (motor reactions). The characteristics of temperament are closely linked to the anatomic-physiological structure of the person and are hereditary. They have been noticed since antiquity, by Galen and Hippocrates that they described and tried to explain differences between types of temper in various proportions of fluid in the body. The explanation was, of course, naive, but their description still remains valid nowadays. How do the four classical types of temper show and how they are manifested in a group?

Choleric personality type: is characterized by uneven events, extremist attitudes, moving easily from enthusiasm to pessimism, from activism to drop overflowing. With a versatile resistance in work activities due to the energetic non-economic consumption, the choleric acts with all the energy available at a time without dosing their efforts depending on the size of difficulties or obstacles. Therefore, the yield curve has many violent irregularities by the intersection with the curve of fatigue. Restlessness, shake, filled with moose, acting under the impulse moment people are great initiatives and having a great capacity to mobilize themselves and other people as well. But due to fatigue or boredom occurred by lowering the novelty of the action taken, the choleric abandons the activity before finalizing it. For this reason it must be balanced with people who take over and carry out the work began. Surprisingly with all that is, the choleric proves despite its temperamental features, lot of patience, even when the activity captures their much time (the case of scientific research). Capricious and impulsive, dividing people into good and bad, friends and enemies, a human of extremes and not of the nuances, the choleric is a factor of stress for those around them, creating tension in the collective condition of employment.

Blood type personality has a great resistance of work not in the sense of a great physical vigor, but the resistance against the phenomenon of fatigue. Reactions of the people are quick temper and appropriate stimuli, signals from the environment or from technical equipment, with good adaptability and self-control. The sanguine acts promptly to find solutions to overcome difficulties and obstacles defeat but the measures taken by him in this respect are often a moment character, not lasting and profound. In interpersonal relations it is remarkable that an open-hearted agreeable person, with values for the group integration and friendship relations. Mentally robust, easier to bear than the other temperament difficulties of life and work. With the persons belonging to this temper we can discuss openly, directly, having the strength to look truth in the face. Mobile, pleasant, prompt, with great energy, the sanguine succeed with less effort and therefore is not particularly seductive, sometimes even showing certain superficiality in work and in interpersonal relationships.

The phlegmatic personality type has great strength in activities, but its whole behavior is dominated by inertia. This makes both the start and end of the activity to have a high latency. Its reactions are slow but adequate. Inclined towards meditation, analytical mind and endowed with great patience, to the phlegmatic personality it can be entrusted large works, which may be in their own time and not pressed for short terms. He thinks deeply to take a decision, but once decided to go and decided to action and he is perseverant in achieving his goals. He refuses compromises, are battling for their ideas. More adaptable to new situations he prefers the known things, he is reluctant to innovations, being known as a conservative person event. In the case of the interpersonal relationships, he is noted and reluctant, and therefore more difficult to integrate into society. Friends are few, chosen after long reflections, to which he manifests devotion. They are slow, calm, and precise. They do not bypass the details and not abandon the work until they get to the result, although for this they spend more time than the sanguine ones and the choleric persons. They change the activity hardly, they are attached to what they do and are disciplined. They adapt to new situations hardly. Typically they have very durable and stable feelings.

The type of melancholy personality is less resistant from the nervous point of view. People belonging to this type get tired easily and are susceptible to depressive states in a conflict situation or over. He is an excellent worker for the routine activities carried out under known and usual conditions, which do not require prompt decisions and quick reactions, they can carry out high-finesse activities, but without external pressure. Gifted with plenty of patience, the melancholy person has inclination for analysis, accuracy and scrupulousness. Being an anxious temper, he panics in front of new situations to which his reactions are slow, not always adequate and sometimes paradoxical. Timid in interpersonal relations and disesteeming his possibilities he integrates with difficulty in a group, attaching rather to people and not to community. He should be encouraged even by overestimating his skills to meet the work and problems that arise.

A scientific explanation of the types of temperament was given by IP Pavlov\(^2\). He characterized the differences mentioned by three features of the nervous system (that's why he speaks of "types of nervous system"): strength nerve processes, the balance between excitation and inhibition, the mobility of nervous processes. Thus, the physiological types of humor would be as follows: the melancholy person has weak nervous system; the choleric one - powerful and unbalanced, the sanguine - strong, balanced, mobile and the phlegmatic personality - strong, balanced, inert.

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1 Margineanu N., 1944, p.131
2 Neculau, A., Cozma T. (coord), 1995, p. 58
These criteria do not help us enough in practice to diagnose a type of temper since their determination involves making experiences with conditional reflexes. In addition, IP Pavlov had in mind an important distinction when it comes to people. It's the difference between introverted and extrovert, the first being those people sullen, always concerned about their inner life; the extrovert persons, by contrast, are oriented towards the outside world, social, active, so the appropriate working group. However most of us are "ambivert", not being a net predominance in our orientation preoccupations.

Regarding to the environment relation and therefore with the possibility of working in group, we refer to CG Jung classification (1997) which has in view the type of extrovert personality (which is characterized by expansiveness, socialization, trends towards networking and contact, communication, etc.; persons belonging to this type of personality work well in groups and assume social responsibilities easily; they prefer movement, have a low emotional control, are optimistic, happy and have a special savvy) and introverted personality type (persons who take part from this category are introspective, quiet, reserved, distant; they have a very rich inner world, they avoid the risks and social responsibilities, are serious, demanding, better control their feelings and attitudes).

However, it should be noted that in the classical typology the pure types are rare, most of us, being in an intermediate position.

People are unique, people are complex and there are literally hundreds of adjectives that reflect the unique complexity. Today, an influential work is the Big Five model, its developments reflecting a new tendency in the study of the personality. It's the difference between introverted and extrovert, the first being those people sullen, always concerned about their inner life; the extrovert persons, by contrast, are oriented towards the outside world, social, active, so the appropriate working group. However most of us are "ambivert", not being a net predominance in our orientation preoccupations.

Conduct in interpersonal and group relations

In the practice of interpersonal relations, personality is often expressed through conduct, that reflects human activity or actions that occur in the plane of human subjectivity, absolutely personal, and materialize through the thoughts and our actions so that communication occurs between psychological and our behavior.

Human behavior can be described as a personal relationship with those around us, a relationship between our self and the outside world, social and natural, that we try to integrate in the natural world’s harmony or in society. It includes many specific manifestations of human individual in relation to particular relationships situations with external stimuli received.

1 Zlate, 1997
2 Johns G., 1998, pp. 68-69
How personality is unique to each human individual, by the logic of facts, we say that each conduct is individual, is unique. True, it is determined by certain causes and occurs in a context of motivation. Therefore we say that nobody's conduct is outside a purpose, a reason, interest or perspective, so without a particular aspiration. Motivation is the effect of various influences, which some factors exercise over the involved people in various actions and mobilize them to work performance or failure of tasks. As the reason is cause, the determinant of an action, motivation refers to "all the internal motives of behavior, whether innate or acquired, awareness or not, simple physiological needs or abstract ideals. The main functions of motivation are activation and directing human behavior through motivational phenomena such as the needs (engl. need), pulses (engl. drive), intentions, the capacities, tendencies."1

More simplier, we find a definition by G. Jones", that motivation is "the extent to which a persistent effort is directed to achieve a goal'. Defined as internal motive of behavior, motivation is a factor that triggers social action to achieve objectives, which achievement is made by great effort until reaching, by the motivating factors. The process of motivation initiation always involves, existing an unmet need which creates a tension. This results in a direction of action to achieve its objective until the moment in is reached, after which tension is reduced. Designed so, motivation means "an internal state of necessity that orient and directs the body behavior towards statisfacting and so, removing it". Also, motivation is dependent on individual interaction with the environment and awareness of interaction conditions (social conditioning of action). Following this double wrapping, it's forming and structuring and the needs of the individual's emotional relationship with the environment, his attitudes and goals, that arise grounds of human action.

The motivation for the work of a human individual means, in fact, certainty that he will get, carrying out work under pre-designed conditions, items that will satisfy needs. In the social actors act, to complete the action, a complex of motivational factors. The action of these factors is done differently, according to cultural determinations suffered by a person in the process of socialization and according to the nature of genesis and the internal structure of motives.

Motivational factors are represented by those elements that determine the motivation of human individuals to obtain positive results in productive activities. They can be classified as:\2

- Internal or individual factors, among them: the perception of workload, needs, interests, attitudes, value systems, behaviors, and others;
- External or organizational factors. Among them are: the pay system, the kind of workload, control system;

The two categories of factors interact and determine the type of motivated behavior and employee capacity to cope with various work tasks to be performed.

The phenomenon of motivation of human behavior is particularly complex, by it depends all the thoughts, feelings, attitudes and facts of human individual. Conduct motivation involves union between external factor (stimulating), with the one inside of our being, (in preparation for action, to increase sensitivity to the stimulus that came from outside).

So motivation is a key factor in the conduct of a person, and almost the entire range of human behavior. By the nature and depth of motivation depends on achieving efficiency and conduct in fostering the way towards success and maximum satisfaction at work, in relationships between people.

A civilized conduct unites around it all reasons fulfilling the requirements of the profession, interests and aspirations. The reasons may be intrinsic, ie in respect of their person (like to be appreciated, wishes to state, feels the need to help people in defending the truth, loves his wife etc.) or extrinsic, ie about the human environment that he met, or on account of the profession.

All that takes the human manifestation as being rational and conduct are in a constant process of development, diversification, specialization and training.

This process occurs by itself, the main role in its dynamic is permanent and conscious interaction between the human individual intelligence and its labor requirements, conditions and relationships in which they live and work.

There are behaviors with a character of generality, which is manifested in all forms of human activity and specialized behavior, determined by specific professions and human activities, by their characteristics.

In first class, behavior with a character of generality, can be distinguished:

- internal behavior, which involves the mental processes, sensory and emotional, including intelligence. This behavior is manifested by perceptual, adaptive, mental, emotional, volitional;
- professional conduct of every individual, which has as a source social rules and individual achievements acquired through education;

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2 G. Johns, Organizational Behavior, Editura Economică, Bucureşti, 1996, p. 150
logical behavior, based on thinking and reasoning;
scientific behavior, originating from the knowledge gained through learning, training, and current scientific information;
creative behavior, facilitated by the internal behavior and strength of purpose stimuli of his profession. Determinants appear to be attributes of character, motivation and will.

Conduct at work is assessed by reference to social demands. Crucial role in training and assessment of such conduct rests on several factors, including:
develop intellectual capacities, broadening the knowledge of different aspects of the profession, also and the representations and notions about the future work;
training of general specific work skills, involved in carrying out various tasks of the profession;
training and cultivation of qualities of will and character traits, aimed at persevering work habits and learning;
Adapting to a daily ordered work regime, with partial and general well-defined purposes, to be met regularly;
orientation of side activities by compatible directions with activities taking place to form job conduct;
correct understanding of subordination relations.

Most times, conduct at work is critical to the whole existence of a man, because that leads to appreciation and recognition to the man as intellectually. The particular way of specific behavior materializes in a number of organizational requirements such as biopsychic, intellectual, emotional and moral.
a) Under the organizational aspect, the expression of behavior is illustrated by the requirements and legal standards, the specific organization of the institution, the requirements of each profession.
b) Regarding biopsychic requirements, we count physical and nervous request, which involves:
nervous system activity;
volitional qualities: courage, initiative, determination, perseverance, steadfastness, sense of group (team), emotional balance etc.
c) Intellectually, the expression of behavior reflect a wide range of crucial features such as:
the amount and quality of theoretical knowledge on specialized disciplines;
science and art of interpersonal and intergroup relations;
ability to make quick and correct decisions in pressing moments.
d) Expression of official’s conduct is determined by factors not related to knowledge: temperament, emotionality, skills.
e) In terms of moral values, conduct is expressed in:
individual personality;
specific traits and moral virtues: courage, duty, heroism and honor.

Conduct must be improved in order to prevent occurrence of negative elements which could be: routine, low spirit of responsibility, objectivity and fairness, the emergence of a hostile work atmosphere, the deterioration of inter-relationships with co-workers, family, neighbors etc.

Realization of this fundamental principle is conditioned by knowing and respect of the standards and rules of civilized behavior created by human society throughout its existence. They teach us how to respect each man next to us, people in general, how to cultivate healthy interpersonal relationships, moral, based on the esteem, respect and consideration, the affection, friendship and love.
The guideline of entire conduct towards people by these rules and regulations of civilized life, in any case we find, is a solid proof of good growth, but it is also a civic duty, professional, the most relevant for the entire life of public clerks. Every public official will be able to perform properly and fully his mission of defender of the law, the rule of law, only insofar as its relations with all people are of the highest quality. Yet to achieve this objective requires the expression of particular respect for every human behavior in the most civilized as possible way, in any relational situation or public relations situations generating they are.

Conclusions

The personality expresses the human specific pattern in which the individual relates and adapts to the environment. Personality means diversity. An excessive classification based on strict criteria may lose from sight the unique combination of these traits and their potential for development. Personality is determined by both genetic factors and the learning past and is likely to change during the acquisition of experience. There is not an ideal personality profile for operation in an organization, there is only a minimum set of features that must meet an employee. This is because an individual can achieve a performance above average in a given situation or organization may be totally inappropriate in another type of situation. What is important is to invest in the right position and use of appropriate organizational and management techniques.

In everyday life, we always enter in a variety of formal and informal relationships with our fellow man. Whether it be rural, not urban, civilian or military world, we must give evidence, unequivocal, of a certain refinement and full understanding, meaning education, and the proof of education, the superiority of thought, culture and civilization is politeness.
In a society, politeness assumes various forms and aspects that covered both individual behavior domain and that of social behavior. Examples include: civilized gestures, mode of dress and conduct our clothes civilized, greeting and welcome response to, behavior on streets and transport, family relations and interfamiliar civilization, speaking and writing, civilization to work results etc.

Politeness, rules of civilized behavior, generally reflect people’s efforts to regulate the sphere of relations between people who have no legal status.

We can consider politeness as how behavior is manifested by common sense, respect and kindness in relationships with other people. It is addressed to those around, as a social act, a public show of ours.

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The Leadership Style as a Predictor of the Work Styles within the Group

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Key words: participative leadership, transformational leadership, work style, group.

Abstract: The term leadership starts from the principle that every group irrespective its structure and the number of its members is composed from individuals which co-work together to fulfil a goal, no matter if this goal can be interior or exterior to the group. The leadership approaches the change, the inspiration, the motivation and the influence.

Amongst leadership styles described in the field literature, this work outlines the participative, authoritarian and transformational styles.

The participative style is defined by team work, a high interest towards people's problems but also towards the production problems. Its main characteristics are cooperation, flexibility, the openness of the spirit, the friendly atmosphere within the group framework, ascendant, descendant and horizontal communications, and sociability.

Authoritarian leadership style is characterized by a tight supervision of the employees by the manager, informational flows directed mainly from top to bottom, inducing fear to subordinates, in this case fear functioning as a control mean.

The transformational leadership appears when a leader inspires his employees to share the same vision, giving them the strength to reach that kind of vision and offers them the necessary resources in order to develop their own potential. We cab easily recognise this type of leaders because they become real models for the subordinated people, encourage optimism mobilize devotion but at the same time, have in mind the needs of the people they represent.

Introduction

The leadership is considered as being the influential phenomenon for the subordinated people's behaviour, with the help of some psycho-social models (motivation, engagement, generating professional and material satisfaction etc), thus they can realize a series of actions according to the settled objectives and which, under different circumstances would not be achieved. It supposes the capacity of a person to create a vision in order to direct actions, to unify individuals, to follow the way in which the objectives are achieved and to attain results through organizing, controlling and solving problems, working as team.

Within the management literature there exist discussions about the managers' styles, leadership styles, and decisional styles. The most numerous researches have been oriented towards the leadership styles. According to M. Zlate, the leadership style represents “the concrete way to play a role, thus of an effective transpose within the behaviour plan of the exigencies deriving from the leader status” (Zlate, 2004, p.97).

The determiners of leadership are many. One of the first answers to this matter was formulated by Tannenbaum and Schmidt (1959, quoted in M. Zlate, 2007, p. 190). They chose three categories of determining factors which they called great factors characterizing leadership (the value system, a desire towards the activity of leading, confidence in subordinated people, the security feeling under insecure situations), factors linked to the subordinated people (the need for independence, the immediate assuming
of the responsibility in taking decisions, the tolerance degree of ambiguity, the interest for problems and the attention given to them, the understanding and the inner organizational goals, the knowledge and the necessary experiences in solving matters) and factors linked to situations (type of organization, group efficiency, the nature of problems, time pressure).

The leadership style is the expression of leading relation as a psycho-social - social phenomenon of the group. It does not derive only from the content of the leader notion and does not identifies with the leading relation, because in exercising it there must also exist the main features of the leading relation, but also some psycho - individual feature of the leading person. This aspect is even more evident if one takes into consideration the fact that the leader can not exist or can not be defined outside of a group to which they belong, and thus the efficacy of the leading act depends not only upon their intellectual, organizing and technical capacities, but also upon the psycho - social relations with the participants mass.

The leadership style influences in a great extent the psycho - social climate, the moral of the group and other characteristics of the group, firm, organization to which they belong.

**Participative, authoritarian or transformational leadership?**

Lippitt and White defined three types of leadership:

- The authoritarian leadership: decisions are taken only by the leader; they remain outside the group;
- Democratic leadership or participative: the decisions resulting from the intended discussions of the leader and take into account the group opinion;
- The "laissez faire" leadership: the leader defines the objectives and the means of which the group dispose, but adopts then a passive attitude. The group enjoys a total liberty (Lippitt, White, 2001, pp. 105 - 115, quoted in Zlate, 2004).

Further on we will stop to analyze the attitude of the participative leaders. The participative leadership is style centred upon the group. The work is done by responsible people; the relations are based upon trust and mutual respect. It is characterized by a great interest both for the human problems but also for the production matters. The leader practising such a style always gets the employees participation to the production exigencies, associating them to the elaboration of the strategy and to the drawing up the labour conditions; the people need to think, to use their thought in order to produce something useful, to settle healthy relations with the colleagues and the superiors is made for the service of the organization, specific to them being the understanding and commonly defining the objective of the firm and of the means to attain them. It leads and controls people, making them to adhere; we arrive thus at self - leading; the mistake appears from the misunderstanding not because of a bad will. We may come, in such instances to get a high moral of the people involved; there exist relations established among the employees. The communication problems are problems of understanding between people.

The participative leader has a solid training both in their field of activity and in management field thus they don't have any hesitations in approaching the matters that must be solved together with their employees, other hierarchical responsible people or colleagues (Burduş, Căprărescu, 1999, p. 108).

The participative leadership is characterized by trust towards subordinate people, openness towards dialogue, group settling matters, employees' autonomy. The relationship between leader and subordinates takes the form of meetings, workshops and other group discussions all these focused upon the current problems. The communication at the level of the group is opened, direct, without many formal barriers. The main cause of a disagreeing situation appears when there is a lack or a bad communication and in maintaining an equivocque situation regarding the terms connotation and of the main concepts around which solutions can be built up. A clear exposure of the concepts, offering explanations for each individual situation and solicitor creates the expected attitude, of accepting arguments and supporting the conclusions which will settle the solution. In this respect one can ask the confirmation from the part of the group referring to the understanding of the used concepts, and when it is necessary, the explanations are given with solicitude for the interest of those soliciting them. The addressing act occurs directly and personally. Though, the participative philosophy is not always efficient, because of the decrease of the group productivity as a consequence of multiple and sometimes useless interactions during the working hours.

The participative leadership conveys to the creation of a positive psycho - social climate characterized by satisfaction, physical, material, social and psycho - social favorable conditions increasing the group cohesion. The working climate is an open one favorable to human personality development. Within such groups the members' satisfaction is higher and the cohesion powerful.

The participative style is characterized by applying to a large extent the delegation of tasks in performing and achieving actions. The delegation of tasks inside the group is realized in accordance with the members' initiatives (the kind of "who's offering"). The program is flexible, at the latitude of the employees, on condition that the objectives should be attained.

By means of Participative leadership one can get potential advantages, but one can encounter some difficulties of the participation (Johns Garry, pp.306-308).

a) Potential advantages:
- Participation enlarges the motivation of the subordinated people to contribute to the settling of the objectives and taking decisions;
- Participation can lead to a better quality decisions when the subordinates have special knowledge in the field (either the responsible person is not a specialist in all respects, or their own knowledge is old);
- Even if the participation does not lead to increase motivation among subordinates and does not increase the quality of the decision it can lead to accepting decisions from the part of the subordinates.

b) The potential difficulties of participation:
- The participation consumes time and energy, making it inopportune when it is necessary to take rapid decisions. Although group decisions are slower, they have some advantages, in the sense that the pre-discussions modify the ideas and the attitudes of the members in the sense of the persuasion, the result being an easier way to accept decisions and of a lack of resistance in applying them.
- Participation can make some leaders feel they lose power and influence;
- The reduced efficiency of the decisions as a consequence of the lack of receptivity or knowledge from the part of the subordinates.

The effects of the participative style are:
- Enable the development of liberty and aptitudes for the group members;
- Stimulates interdependence among subordinates;
- Generates social interactions among subordinates, between them and the leader, the relations between subordinates and the leader are cordial;
- Increase in confidentiality regarding the particular aspects of the life of the subordinates in correlation with the appearance of the feeling "we";
- Increase the tendency of the subordinates to make suggestions, take initiative regarding the group organizing;
- A discharge of aggressiveness in such an away that internal tensions of the group do not ever attain the level of becoming dangerous;
- The appearance to the subordinates the tendency to recognize their value.

The groups can be real forces in increasing productivity and in promoting changes if the leader has knowledge in the field of human relations and possesses at the same time the ability and the necessary motivation to apply them. The interest and consideration towards employees must be manifested by creating good working conditions and the adopting of some correct remuneration policies. The functioning of the groups supposes the assuming, occasional or permanent, from the part of the members, of some complementary roles, oriented either towards the affirmation and the consolidation of the own statute. The organizational context offers, through the formal character of the relations, some precise highlights in assuming the formal roles from the part of the individuals. The forma roles permit creativity in a reduced extent. More the organization is hierarchical; more the role prescriptions are more precise letting less space for the creative manifestations. Creativity within the organizational behavior of individuals manifests itself at the level of the informal roles. And these roles are stimulated by the participative leader.

The interpersonal act supposes "to play" some roles between or among partners, in developing the situation of the behavior of one of them occasioning a response reaction from the part of the other. In this way the relation structures itself by exercising the roles and, at the same time, the personality of each participant is shaped according to the played roles. These changes at the interpersonal level (relation) and intrapersonal (personality features) will influence the behaviors within some further circumstances.

The behavior inside of an interpersonal relation, the way in which we "play" the role depends upon the nature of the relation. The behaviors specific for the participative style lead to the building up of some steady, positive, productive interpersonal relations. Thus one can take into consideration the following types of interpersonal behavior and reactions that are generated (in complementary pairs):

- *Leads, advises, gives indications* ⇒ *respect, obedience*
- *Helps, supports, proves compassion* ⇒ *trust, acceptance*
- *Agrees, cooperates, shows friendliness* ⇒ *support, affection*
- *Respects, confesses, admires* ⇒ *support, help*

The integration of the individual within the group depends upon its personality and of the way in which they adjust their behavior in relation to the other members of the group and with the leader in different moments of their common actions, being the result in time of their social interactions.

The participative leaders are efficient; they recognize the value and the dignity of others have an empathic attitude, proving respect and consideration, being oriented towards the subordinates, and also to the production. The people inside of a group the leader of which communicates and interacts harmoniously enjoy the synergy effects (the goals of the team representing the goals aimed to be achieved by each member of the group). At the same time the group needs to grow, in the sense of improving its capacities, and of relaxing, meaning the existence of a relaxed working atmosphere.
The leadership is a process that aims the interaction between a leader and another individual or group of persons, has multiple functions, among which the most important is that of giving direction (vision, effort, performance etc), and it belongs to an unbalanced interaction, in which the leader influences more then let themselves influenced.

Further on this paper, we will analyze the behavior of the leaders that embrace an authoritarian, dominant working style and we will see its influence on the subordinated working groups.

Authoritarian leadership style is a dysfunctional management model characteristic to the behavior obviously oriented to climbing higher positions in the firm hierarchy. These leaders are dominant, active, dynamic, but they can also create around them an environment of tension and conflict, because they lead having a very good opinion on themselves, a strong self-esteem, and being convinced that the higher management positions are theirs by right. In the conviction of their superiority resides the tendency of stating their own opinion and imposing it in the making decision process.

Authoritarian leadership style is specific to distant leaders who organize the activity, assign tasks and control the progress of the work without consulting the participants in this process. Information flows are mainly directed from top to bottom. Authoritative leaders have unlimited trust in organizing measures. It comes out that the authoritative style induces an undeclared resistance of subordinates, determining the apathy and indifference of the group members. Also, this style reduces the interest of employees in professional development, creating a tendency of exaggeration of the up-to-down critic attitude.

This style emphasizes the importance of results and neglects the human relations and the concern for economic efficiency. These leaders have limited trust in people and consider that they work by compulsion and therefore they need to be controlled and threatened with penalties. Personal initiatives are excluded, conflicts are put down and even a soldierly discipline can be imposed.

The effects of the authoritarian style are (Lippit, White, 2001, p. 105-115):
- Limiting the activity and spontaneity of the subordinates;
- Creating the tendency of deserting the own responsibility to the leaders;
- The lack almost entirely of initiative from subordinates, they having the tendency of submission, closeness to the leaders or to draw their attention;
- Creating the apathy in subordinates, at one extremity, or the feeling of frustration accompanied by a dose of aggressivity against the leaders or other members, at the other extremity;
- Inducing the subordinates dependency to the leaders, the proof being the group inactivity in the absence of the leaders;
- Increasing the forms of irritability and aggressiveness towards the group colleagues, and emerging interpersonal tensions and the scapegoat phenomenon;
- Creating the tendency of group disintegration.

Beyond any theory, we see nowadays in practice leaders that look to tyrannize the subordinates by adopting a tough behavior and even a sadist one, sometimes, showing no interest to what employees say or think and wanting them to do only what they say. Leadership specialists think that tyrannizing the subordinates can unleash a reaction that the renowned psychoanalyst of Austrian origin Anna Freud (quoted by Manfred Kets de Vries, 2003, p. 92) called „the syndrome of identification of the victim with the aggressor”. That means that by unconsciously imitating the aggressor (the manager, in our case), the victim, that is the subordinate, turns himself from a threatened to a threatening person, also by adopting some of the manager traits. This way, he controls the anxiety the dominating manager induces to him, hoping at the same time, to gain some of the manager’s power. But, all that they succeed is to stress the situation of conflict and tension, increasing thus the level of aggressiveness of the entire organization.

In other economic, politic or social units we even discover leaders with maniacal tendencies, who seems to have unlimited energy and who push themselves and the people around them to the limit. They are so active that they don’t always realize what they do. This behavior was labeled by Manfred Kets de Vries (2003, p. 93-94) as „maniacal”, who considers that by applying this behavior, the manager will loose sight of the mission its organization has. Maniac leaders become so unable to look around them that they even forget the people their own fate depend on. Some specialists in the field think that leaders shouldn’t look in the mirror but on the window.

Finally, the leader’s inaccessibility is another issue that occurs at the management level, because some managers are so smug, thinking they are so important, that they don’t have time anymore for those around them. They are not concerned to lead the group by personal example or to establish informal relations with their employees. They are distant persons and hide behind the secretaries and personal assistants, practicing a closed doors policy.

Group functioning means that its members need to take up, occasionally or permanently, complementary roles, oriented either to completing the task or to maintaining the relations among members, or to asserting and reinforcing its own status. Interpersonal act involves „playing” roles among partners, in
action, one’s behavior determining a response reaction of the partner. This way, the relation itself is structured by playing roles and, at the same time, each other’s personality is shaped by the roles played. These adjustments at the interpersonal (relation) and intrapersonal (personality traits) level will shape the behavior in the situations to come (Radu, 2007). The behavior characteristic to the authoritarian style (unrising, reserved or nonconformist, tough, aggressive, punishing, exploiting, rejecting, refusing) determines reactions of rejection, hostility, resistance, distrust, inferiority and, as a result, tensions and poor performance of the group.

In conclusion, the authoritarian style is that when the decisions are entirely made by the leader, a leader who is totally task-centered (work, outputs), having the following behavior traits: considering the subordinates as instruments, even as a necessary „evil”, and having with them relations of command, respectively of compliance and submission; communication with subordinates refers strictly to technical and administrative issues; setting up a very intense working rhythm; they stand up only based on the results obtained. Subordinates are frustrated because the leadership practiced, based on control and coercion, don’t allow them to show off their real work and creative capabilities. The authoritative style increases the tension between the group and the leader, leads to the appearance of some open or disguised aggressive acts, or, on the contrary, to apathy and non-involvement, dissatisfaction. The leader compels each member the task and the person to work with. The authoritarian tends to give a personal touch to praise and criticism towards any person, the group members missing an active involvement in the group life. In what is concerned the correlation between the management style and group cohesion, as the authoritarian style becomes stronger the cohesion of groups diminishes. At groups’ level, tensions at the interpersonal level arise as opposed to work, which is performed without enthusiasm and with a feeling of poor involvement. The less desirable effect for the group is that the self image of each member is distorted, fact due to the impossibility to know each other in an unfavorable relational-affective climate. Characteristic to authoritative style is also the fact that delegation is avoided, promotion, rewarding, development are set up by the manager, as well as the discipline.

As a result, the authoritarian leadership style is an ineffective and non-performing one. The main objective of management activity must be the importance of the human factor in organization.

The last part of the research aims the transformational leadership. The terms "transformational leadership” and "transformational leader” were used for the first time by James McGregor Burns, in his book "Leadership", in 1978. He conceptualized leadership as being either transactional or transformational, a new paradigm, which captured the attention, due to the interest within the period for the transformational leadership in military behavior sociology and psychology. Since then historians, sociologists and politologists had always recognized that leadership represents more than a simple social exchange between the leader and those that are led.

After founding the theoretical and methodological bases of this type of leading in the years “80 (Bernard Bass, Bennis, Nanus), in the years “90 numerous researchers aimed an overall image of the transformational leadership (Tichy and Devanna, Den Hartog, House, Delbecq, Taris etc).

The transformational leadership is not only a theory about the efficient leader. The transformational leadership searches the perfect leader, or, as Bernard Bass said, the "High Impact Leader".

The transformational leader is a person which encourages the development of performance, they themselves being an example in realizing the proposed activities. The characteristics of the transformational leader are:
- The leader is the person that others choose to follow;
- The leader offers vision;
- The leader offers opportunities;
- The leader respects his own values;
- The leader inspires.

The leader transforms not only the situation, vision, but also the subordinates, stimulating them from an intellectual point of view, giving them challenges, motivating and inspiring them, they change each subordinate into a leader.

The transformational leadership is based upon transactional elements, charismatic ones, upon principles; it is visionary, multiplying, based upon emotional intelligence. This direction is called transformational leadership because the leaders changes in a decisive way beliefs and the attitudes of the subordinates in order to respond to the new vision. The transformational leader is "responsible" for a double transformation: firstly for the transformation of their subordinates and secondly for the transformation of the entire organization.

The transformational leader realizes a more secure working environment. There exists a more cohesion of the group and greater work devotion, leading to a decrease in the staff fluctuation. This fact conveys to a higher level of innovation and creativity with influence upon the efficiency of the team. They are leaders of character, possessing active strategic intelligence and a fertile creativity, altogether bringing the
moral assumed responsibility and the general welfare. The transformational leader creates trust, respect and
desire to work in a team with others to achieve the same objectives.

Conclusions

The major role in differentiating the success organizations from the unsuccessful ones is the
existence of the dynamic, flexible and efficient leadership. From this reason, many works in the field studied
the phenomenon of leadership and the leading style, and also the influence of them upon the organizations
in terms of efficacy, efficiency and sustainability. The researches made up to present day have tried to get
answers to the numerous questions concerning the efficiency of a certain type of leadership within the
organizational context. The researches have been based upon the identification of the interactional ways of
the leader with the employees at the individual level and at the level of the group. There were also
researches based upon the identification of the interactional ways of the leader with their adepts in order to
better achieve the proposed objectives of the organization.

The activity within an organization is influenced by the leading style practiced at that moment. The
performances of the organization, the degree of satisfaction of the employees at the individual level or at the
level of the group changes according to the leading style practiced at a certain moment.

The main objective of the leading activity must be the importance of the human factor within the
organization. The efficient leader is characterized by the fact that they give attention to all the sides of the
firm’s activities and to the achieving of the results, of the developing inter - human relations and to the
stimulation of a continuous growth of economic efficiency. These leaders are preoccupied by organizing and
settling some good organizational structures within the working group.

The leaders practicing this style adopt the most appropriate performance standards obtaining the
best results within the working processes. They consider that certain disagreements or discussions as being
normal if they well controlled, the result being a positive one.

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Professional Training in Social Work: Models and Experiences

Romanian Social Work Profession Standardization between Post-University Educational Studies and the Training of Specialists

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Abstract: The present study is the result of a constant preoccupation for the last 5 years. This fact can be noticed as well from the specialized publications of the author. Quite often there are reiterated and developed or debated a series of problems, solutions or approaches regarding the wide domain of Romanian Social Work. The departure points are usually the initial professional training, the epistemological component as well as the praxiological and the axiological ones. But the most pressing issues remain those coming from the occupational space. Since, it can be noticed – both at governors and practitioners – an intolerable narrow agenda regarding the preoccupations, norms, and competences delimitations within the sphere of social work profession at the level of public policies or even non-governmental sector. While in the private component of Social Work activities there is almost no signal at all. Considering the context, a widely visible contribution is about to be built with the help of European Funds, precisely The Operational Sector Programme for the Human Resources Development widely financed from The European Social Fund, which gives the opportunity of funding activities from the occupational area. Without being a paradox, yet not circumscribing into the natural area, a partnership between (“George Bacovia” University of Bacau, University of North from Baia Mare and Braila Centre of Studies from “Constantin Brancoveanu” University) 3 Romanian universities lead to the initiation of a project now in an development stage. The partners are implementing the project called “European Qualifications and Standardization within the Social Work Field – Acronym Eur-As” (PERSEUS: POSDRU/18/1.2/G/11966.)

Introduction

The issue in hand is framed within the most present preoccupations regarding the professional specialization and the standardization of Romanian professions since this thing has become mandatory once Romania joined European Union. The departure point is the admittance of the fact that social work imposed already as a science from the 20th century, with a clear path in both the North American and Western European space, as an autonomous profession, practiced by specialists trained exclusively within different levels of higher education systems. On the tradition Western countries, like US, UK, Canada, Australia or the Scandinavian countries there are trained generalists or specialized social workers, debutants or experienced, practitioners or theorists and the educational matter is on current debate. These categories have correspondents in the occupational space and make the difference including the competences in the direct work with the assisted populations. Meanwhile, within the European space and not exclusively, as a result of the free labor force, the necessity of the idea to standardize the profession imposed itself; the graduates of the same form of professional education should poses a common ground of scientific knowledge, along with skills – abilities – capacities and values – principles – rules/norms – standards that
make possible the development of their professional activity in a more larger social and political space. This very idea stays to the bottom of the reorganization of the higher educational systems, known generically as the **Bologna System**. The professional education, as well as the social work one is structured on 3 main levels: bachelor/license studies – meant to train the generalist social worker; MA Studies – that should train the specialist for the social management component; and the PhD Studies that have the purpose of high specialization and professionalizing of an inter and trans-disciplinary type, on the verge of innovating action for society. These premises highlighted the entire Romanian higher educational system. The **(POSDRU/181.2/G/11966)** project in discussion has as a main purpose the development of a generalist social worker model (graduate of bachelor-license degree) and then of building an hierarchy and present the opportunities of MA specializations, in response to quantity and quality indicators reflecting the direct social work activity conducted by the social work services or the specialized non-governmental organizations. As a long term consequence the project envisages the long expected administrative de-centralization of the public services and the further possibility of submitting these services to a tender in order to be undertaken by specialized actors. These type of practices are already a reality for the social work from the EU space and there are enough signs they represent a lucrative alternative for the protection and social work system.

It is unanimously accepted, even by the non-specialists, that in Romania, social work turned into a profession with a fully autonomous statute since there are specialists of high visibility and even important social utility. The knowledge of the social worker - both in the area of theoretical explanation as well as in that of the sensible and complex field of investigation and specialized intervention on the social space – have been structured and deposed in an **epistemological / praxiological / axiological** system and the national network of social work became a solid functional whole with unmistakable specialists. If we start from accepting social work being developed and recognized as an **autonomous** and necessary profession, we should point out the 1990 as the initiation moment for its scientifically statute construction in Romania. It is true that even before that moment there has been some random preoccupations that envisaged the training of social workers and specific measures of social protection in the 1950s the training of the social workers was insured by post-high school studies, but in 1962 the specialization was terminated and the profession radiated from national occupations nomenclatures. Even more, the role of the specialists in that period was one of “secluded” assistance, developed exclusively in facilities and medical institutions, as part of socio-medical services. That is why we point out the début of authentic and scientific Social Work in Romania on the 1990s.

**I. Purpose of the study**

The process of social work construction and consolidation as an autonomous, public utility, and European vocation profession has not been finalized, yet the professionals of the field (a wide majority being now graduates of specialized university higher education) occupied the reference points and develop specific activities programmes within a more and more visible network with a great impact on the social economy. Usually, their training is insured by a specialized university **curriculum**, though it cannot constitute a full guaranty of their practical competences. It is this very fact that leads to the admittance of the “youth” of this domain, both for the university educational strategy as well as for the absorption of the graduates within the social and protection services system. Since these 2 levels inter-correlate with each other: universities cannot prepare students who would not be accepted in the professional practice due to the incongruence between the curricula and the job description. The present approach, already transposed in “European Qualifications and Standardization within the Social Work Field – Acronym Eur-As” Project’s activities, intends to compare two realities: on one hand, the present situation, using content analyses of the university curricula programmes, and to suggest the elaboration of a harmonized curricula, precisely an inventory of the disciplines to serve as a mail stone for the national homogenization of the national educational plans for the bachelor / license degree; on the other hand, due to the analyses and the description of the occupational competences (from the governmental and non-governmental with a high need for social work sectors) to be established competences units delimitation and job description specifications, highly requested in the field of specialized occupations. Finally, it would be highly recommended a hierarchy and a prioritization of the MA directions to be followed by universities in regard with the social market request, the need for particular specialists, who are to be quickly absorbed by the governmental and non-governmental social work services.

**II. An Analyses of the Current Situation**

Quite a large number of universities have an education offer in the social work field. Besides the political and social sciences traditional university centers, on the map of Romanian university education both public and private, showed up universities that are in an advanced stage of specific logistic development – specialized personnel, adequate material base, performance scientific research – some of them developing these kind of processes quite early in the 1990s. The present public universities network providing social
work high educational formation – with both subsidized places and on tax\textsuperscript{1} - is composed from the quasi complete list below: “1\textsuperscript{st} of December 1918” University of Alba Iulia, “Aurel Vlaicu” University of Arad, University of North from Baia Mare, “Transilvania” University of Brasov, Bucharest University, “Babes-Bolyai” University of Cluj-Napoca, “Ovidius” University of Constanța, Craiova University “Al.I.Cuza” University of Iasi, Oradea University, Petrosani University University, Pitesti University, “Eftimie Murgu” University of Resita, „Ștefan cel Mare” University of Suceava, “Lucian Blaga” University of Sibiu, “Valahia” University of Targoviste, University of Vest from Timisoara. To all these adds a quite a big number of private universities that either got authorization or were accredited for the development social work faculties / sections; or they even function illegally due to their territorial networks scarcely specific to the university education. We are not going to enumerate them, but they seem to double the number of the public ones. The first observation regards the fact the network of professional education for the social workers is quite vast from a quantitative point of view.

Yet, from the perspective, the social work university educational network is neither homogenous, nor uniform – and this observation refers to both geographical distributions as well as to that of real educational availability: developing a curriculum, along with the contents provided during the professional formation, specialized human resources, recognized specialists within the field, logistic and material base, a local, regional and national partnership system etc. From a formally angle, the mentioned universities, provided long term educational formation regarding all levels of higher education up to the end of the university year 2007/2008, with a quotation per student of 240 de transferable credits, while the university colleges (no longer functioning for the social work) organized short term studies, with a quotation per student of 180 transferable credits.

Once Romania joined EU, the field of social work, both from its formative component (the network of universities providing social work studies) as well as its occupational component (social work services network, public administration, NGOs), connected to EU legislation and exigencies. The main characteristic of this process is the homogenization and standardization. At the level of professional educational formation, the homogenization and standardization is acquired by university studies and some stages have been covered. In respect with the Law 88/2004 regarding university studies organization, and Governmental Decision (GD) 896/2004, GD 88/2005, and GD 1175/2006 regarding university education fields and specializations, it has been established Social Work as a field of bachelor / license degree as part of the fundamental field of social and political sciences. For all the specializations and fields, part of the professional certification, there has been established 3 university cycles of different length, each delimited by the others based on their distinct admittance and graduation procedures:

1. Bachelor / license studies, 3 years length and a minimum of 180 transferable studies credits;
2. MA university studies, with a normal length of 1 to 2 years, and a minimum between 60 to 120 transferable studies credits;
3. PhD university study cycle, 3 years length and the delivery of the thesis in a period of maximum 3 years from the graduation of the PhD studies.

<table>
<thead>
<tr>
<th>Nr. Chart.</th>
<th>The fundamental field of science, art, culture</th>
<th>License university studies fields</th>
<th>The No of transferable credits</th>
<th>Specializations</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Social and Political Sciences</td>
<td>International Sciences and European Studies Administrative Sciences</td>
<td>180</td>
<td>Public Administration European Administration Managerial and Office Assistance Community Police</td>
</tr>
</tbody>
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\textsuperscript{1} Anyways, it turned into an educational practice reversing the report between the public financial supports of professional university education; approximately 10 % from the places are subsidized from the public budget, while 90 % represent on taxes students proportion. From here the popular expression of: “public universities privatization”.

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This classification of fields and specializations provides social work a good opportunity to develop in the MA area of studies. In respect to the GD 404/2006 regarding the organization and the development of MA university, these can be structured – in regard with the professional competences and scientific research deepening – in the same specialization field, in close fields or in complementary fields.

Starting from these elements quite visible within the university formation professional network, the preliminary conclusions of our study are in fact both preoccupations of the social work theorists, as well as of the managers from the public field (ministers) or universities:

a. Within the academic diversity there are practical preoccupations to unify the scientifically contents so that to be possible to speak about a professional paradigm applicable on a national level\(^1\). Even comporting deficiencies, this fact is visible due to ARACIS activity.

b. Universities adjust their social work development strategy based on social market network demand of specialist and elaborate their educational plan in regard with mix criteria – regulated by ARACIS, resort Ministry and universities autonomy.

c. MA studies have begun correlating to the labor market, but there is not yet a national grid of orientation towards Social services network (see below the exemplification with MA, some of which of no relevance for the field, even if they are organized as social work specializations).

d. The praxiological system (formed as part of the systematical development of skills, abilities and capacities) as well as the axiological one find themselves at the peripheries of the professional training, which generates inadequate images over the graduate and professional discomfort on the onset occupational moment.

e. Even if Romanian social work professional formation builds its own paradigm, it remains excessively tributary to the Western models, from here the frequent critics coming from the occupational area.

f. The inter-institutional communication between the trainers of social workers and their employers is inexistent; the few and sometime irrelevant professional associations\(^2\) develop a contextual activity and do not have enough power to influence educational and occupational politics.

### III. Issues /A Problematic Approach

Yet, there is a main objection to be brought to the present politics (managerial strategies and agendas) from Romanian universities, both public and private and which can be found either in the formation of the social work specialization: decentralization and the auto-financing, precisely the way they seemed to be understood, and bringing a great prejudice to the compliance to legal norms and regulations, sometimes with grossly trespassing even by prestigious university trainers\(^3\). The main irregularities consists of: insufficient and inadequate didactical spaces (for 1,000 students – as they are trained during an university year, on a large university, at the social work specialization – the standards impose seminaries spaces capacity that should cover the activity of 40 groups, precisely 40 rooms with a capacity between 35-40 m\(^2\), a standard that is never fulfilled), improper furniture and equipments in report with the overly crowded school population (the specialized laboratories cannot be organized for 12 to 15 people groups, when the number for a series is of 350 to 400 students), libraries and reduced and insufficient documentation possibilities (in respect with Art. No 24, al. 2c. from the Law 88/1993, it should exist reading rooms for at list 5% from the total number of students, but this standard cannot be actually applied at the universities with a population between 25-30,000 students – it should actually function libraries with 1,500 places), a dysfunctional report between the teacher and students (the standards indicate a report of maximum 1 teacher to 20 students,

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1 The moment of the 1990s when the educational plan was a local or family “business / matter” is now overcome.

2 Any ways, in Romania there is only one nationally represented professional association: The National College of Social Workers (www.cnasr.ro), which is often contested.

3 This fact can be found out only simply accessing theses universities’ web sites, where one can find more difficult to access official information like the legal criteria: total number of students, didactical stuff, and academic infrastructure.
while in reality it is of 1 teacher to 100-150 students, which affects the didactical and scientific research process). Otherwise, these exigencies are stipulated as well by the Law 88/1993 that explicitly indicates the functioning standards and the measures to be taken in case of trespassing; maybe it needs to be updated.

Additional problems regarding the performance are: (1) curriculum’s quality, which for too long has been elaborated in regard with the institutional staff resources¹, and overloading tendencies; (2) theorize and ideological teaching and learning approaches, with accents on the acquisition of factual knowledge, and not on competences; (3) the lack of high quality and inter-university teaching materials², like: supplementary books and materials in regard to the standards; (4) insufficient institutional research resources or even removed for the social work field³.

Consequently, the aspects regarding the quality of the university education remain as well as problems in a solving stage, even if the institutional level operational regulations since 2007⁴: the system of initial evaluation and quality monitoring is coordinated by a national agency – Romanian Agency for the Quality Insurance within the Higher Education (A.R.A.C.I.S.). In respect with the law, A.R.A.C.I.S. – as an authority subordinated to the Romanian Parliament (due to its specialized commissions) – has evaluation, provisional authorization, monitoring and social work new sections accrediting competences. Due to this authority activity, a conclusion emerged: the necessity of a fundamental perspective change over the higher education evolution since on this particular moment an university educational efficient and homogenous quality monitoring system does not function; a system based on standards applicable to all the university actors and training providers with the regard of the chance equality principle.

On such a context emerges the question: Has been created the institutional premises for a successful development at the MA specialization?

The second stage educational formation supposes the undertaken of post-university / MA modular studies from the academic education accredited institutions and studying from an inter- and trans-disciplinary perspective the different dimensions of social work. In accordance to the specific of each university centre, the MA modules try to cover a vast occupational palette, even only by name. Here it is a list – without being complete, but highly suggestive – with some of the MA functional programmes.

- MA in “The Supervising in social services and mental health” – The Faculty of Sociology and Psychology, West University from Timișoara;
- MA in “The social work of social reintegration and offenders monitoring” - Sociology and Psychology, West University from Timișoara;
- MA in European Child Rights Protection - „Alexandru Ioan Cuza” University of Iași – The Faculty of Philosophy, Political and Social Sciences;
- MA in “Social Supervising and Planning” - „Alexandru Ioan Cuza” University of Iași – The Faculty of Philosophy, Political and Social Sciences;
- MA in “The Family and the Management of Family Resources” - „Alexandru Ioan Cuza” University of Iași – The Faculty of Philosophy, Political and Social Sciences;
- MA in “Community’s Security /Protection and the Control of Violence” - „Alexandru Ioan Cuza” University of Iași – The Faculty of Philosophy, Political and Social Sciences;
- MA in “Probation and Victims Protection” - „Alexandru Ioan Cuza” University of Iași – The Faculty of Philosophy, Political and Social Sciences;
- MA in “Social Work Management” - The Faculty of Sociology and Psychology, West University from Timișoara;
- MA in “The Practice of Social Work Spiritually Oriented” – The Faculty of Sociology and Psychology, West University from Timișoara;
- MA in “Family and Couple Counseling” - The Faculty of Sociology and Psychology, West University from Timișoara;
- MA in “The Prevention and the Fighting against Drugs Abuse”, Bucharest University, The Faculty of Sociology and Social Work (Frequency and Distance Learning)

¹ On many cases, the university curriculum was elaborated due to principles like using the existing number of teachers, and less accordingly to the exigencies of social worker profession.
² A specialized literature circulates at the university level centre, but with the risk of transforming specialized education into an isolated, sectarian, group, and even family act, as it actually happened during 1990s. Even more, this “local” circulation often presents no “quality guaranties”.
³ In Romania, with few exceptions, there are no scientific researches of national representations regarding the issue of social work beneficiaries / clients, so that the contents of the social formation are more on an individual training level and cover only their titles.
⁴ For the period between 1993 – 2006, National Council for Academic Evaluation and Accreditation (C.N.E.A.A.) functioned as a provisory evaluation, authorization and final accreditation authority for the new universities and specialization
Starting from the context, the present research aims to raise the awareness on particular issues regarding the university educational system by asking a number of questions:

1. How would an university precarious resources educational system be transformed in a successfully academic formation one?
2. How can university autonomy be used in order to develop social work as a standardized profession of national vocation?
3. Who performs and validates real monitoring and evaluation of professional formation activities?
4. How can be established a connection between the initial professional formation offer and MA, with the request from the labor market?

Certainly, a great deal of these issues are to be approached and in a reasonable amount, even clarified, during the implementation of this non reimbursable European funding – “European Qualifications and Standardization within the Social Work Field – Acronym Eur-As” Project (PERSEUS: POSDRU/18/1.2/G/11966).

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Achievement Goals: Defining Competence and Understanding Performance

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Key-words: competence, achievement goals, approach/avoidance orientation

Abstract: Theoretical views on the what, the how and the why of human achievement orientations try to capture various components of goal setting and goal processing, revolving around the question of how achievement and competence are defined and constructed. Defining achievement first requires establishment of the level of analysis employed when analyzing an individual’s goals for an activity or class of activities. The dominant level of analysis, from both theoretical and methodological standpoints relies on achievement goals as purpose goals. Mapping achievement through competence development and demonstration offers a structural and process basis for what individuals strive when approaching competence relevant contexts. The mastery-performance orientation resumes an important distinction in defining purpose goals and in this article we attempt an analysis of achievement orientations through the lenses of different theoretical approaches.

The difference between purpose goals (WHY the individual engages in an activity) and task goals (HOW and WHAT the individual does in order to follow task requirements) has guided the construction and implementation of different theoretical approaches on human goal systems. The former line of research focuses on types of general orientations toward an activity, which guide the employment of specific cognitive, emotional and behavioral responses, differentially affecting performance. The latter look at how task structure and functionality can be mirrored in goal formulation and monitoring of goal pursuit.

Achievement goals: defining competence

Goal orientation theories investigate and try to evaluate human achievement patterns. Achievement patterns are defined as purposes for behavior that are perceived or pursued in a competence-relevant setting (Midgley, Kaplan & Middleton, 2001). Theorists describe two dichotomous types of goal orientations or goal framing: (a) the orientation towards ability development, labeled as “mastery goals” “learning goals” or “task goals” and (b) the orientation towards ability demonstration or avoidance of lack of ability demonstration, labeled as “performance goals” “ego goals” or “ability goals” (Dweck & Leggett 1988; Midgley, Kaplan & Middleton 2001; Nicholls 1984). Mastery goals seem to focus the individual on the task at hand and relate especially to developing competence and gaining understanding and insight. Performance goals focus the individual on the self and relate especially to how ability is judged and how one performs, especially compared to others. These achievement goals are associated with different patterns of cognition, affect, and behavior and are inherently linked with the construction of competence (Dweck & Leggett 1988).

According to Webster’s Revised Unabridged Dictionary and the Oxford English Dictionary, “competence” is defined through quality of effectiveness, ability, sufficiency, and success. In analyzing these keywords for defining competence, Elliot and Dweck (2005) take into account that competence is always evaluated against specific standards. Competence refers to different levels and domains of functioning and it involves differential individual strategies (cognitive, behavioral and emotional) in approaching it. These authors consider that at a global level competence is best analyzed in relation with evaluation standards, which dictate and organize both task requirements and individual strategies. In the achievement goal
Achievement goals and ability perceptions

The goal orientation construct has its roots in Carol Dweck’s work on achievement motivation in educational settings, with an initial focus of learned helplessness in school learning (Diener & Dweck 1978; Dweck 1975; Dweck & Reppucci 1973). Dweck and colleagues studied young children’s motivational patterns in the classroom, and gradually extracted two distinct behavior patterns that can arise in response to challenging activities or obstacles in achieving high levels of performance. These patterns were defined as a maladaptive-helpless pattern and a mastery-oriented, adaptive pattern. On the one hand, the mastery-oriented pattern is associated with challenge-seeking and persistence when obstacles appear. On the other hand, the helpless pattern determines use of avoidance strategies when challenge situations appear and is linked with decreased performance when facing difficulty.

Interestingly, the relations between these behavior patterns and levels of objective capacities of an individual indicated that highly skilled individuals can develop maladaptive patterns and vice versa (Dweck 1975, 1989). When striving to explain why individuals of equal ability showed such different behavior patterns, Carol Dweck and colleagues identified two classes of goals within the domain of intellectual achievement. They proposed that these goals create the framework within which individuals react to and interpret events. The two goal types are: *learning* oriented goals, in which individuals strive to increase their competence, and *performance* oriented goals, in which the individual is concerned with gaining favorable judgments of their competence (Dweck & Elliott 1983).

Goal orientation is defined as an individual difference variable that states to what degree an individual is predisposed to either type of goals: learning goal or performance goal. Carol Dweck’s work on goals was further developed into the research of how “implicit theories” (defined as people’s basic assumptions about themselves and the world) guide the choice and pursuit of goals, defining incremental and entity theories of self, character and perceived intelligence. An incremental theory is related to mastery orientation of goals and focuses the individual on process analysis, mastery and continuous self-development. On the other hand, an entity theory is related to performance goals and guides the individual towards evaluation, comparison with others, attribution of behavior outcomes to fixed and global internal or external causes (Dweck 1996).

Task-involved versus ego-involved orientation

Nicholls (1984) analyzed achievement motivation in a similar manner to that proposed by Dweck (1975, 1989), relying on how individuals construct and develop conceptions about their abilities. High levels of perceived abilities in approaching an activity were linked with increased learning and effort toward improvement. The development of conceptions about abilities was organized in Nicholls’ (1984) conceptual system around two types of goals: ego goals and task goals. On the one hand, *ego-involved goals* are framed in terms of: “Will I look smart?” or “Can I outperform others?”. Individuals with ego-involved goals seek to maximize favorable evaluations of their competence and minimize negative evaluations of competence. On the other hand, *task-involved goals* imply focus on mastering tasks and increasing personal competence in domain specific activities. Task-involved goals are conceptualized in terms of: “Can I do this task?” and “What will I learn?” (Eccles & Wigfield 2002; Nicholls 1984).

Ego goals are associated with ability development in a *differentiated* manner, with a comparison criterion (the other) offering specific achievement levels. Task goals are linked with ability development in an *undifferentiated* sense, with individuals focusing on “mastering” or learning a given task, with intrinsically oriented affect, cognition and behavior leading to individually crafted patterns of achievement. While task goal are defined as inherently intrinsic, ego goals reflect conscious evaluative effort in reaching an extrinsic performance criterion and are effective only when associated with high levels of perceived ability (Elliot 2005). Nicholls (1984) viewed differential conceptualizations of abilities as “the keys to understanding achievement motivation” (p. 329), especially referring to achievement states. Hence, he made a similar
goals on task performance, research tends to indicate that mastery goals are generally associated with self-determination and achievement goals, namely approach versus avoidance. Students who are not as interested or involved in this type of activity. Such discrepancies have urged reconsideration of the distinction mastery versus performance goals, with the specification of goal valence, sustained by high levels of actual performance in that task. For instance, a student can be very interested and involved in solving Algebra problems, but he may have lower results at an Algebra assessment than students who are not as interested or involved in this type of activity. Such discrepancies have urged reconsideration of the distinction mastery versus performance goals, with the specification of goal valence, namely approach versus avoidance.

**The approach – avoidance dimension of achievement goals**

The research work of Dweck and Nicholls suggested that a focus on mastery or task goals in approaching an activity leads to higher levels of performance and performance related behaviors, cognitions and emotions, than a focus on performance or ego-involved goals. This postulate guided applied research endeavors in the 1990’s, in developmental psychology, educational settings (Ames 1992; Maehr & Midgley 1991; Pintrich & Garcia 1991), sports psychology (Duda & Nicholls 1992; Seifriz, Duda & Chi, 1992; White, Duda & Hart 1992), social and personality psychology (Harackiewicz & Elliot 1993; Harackiewicz & Sansone 1991).

Increased efforts to investigate and integrate such a conceptualization of motivation in both experimental and applied research have gradually escalated into an epistemic crisis in the mid ‘90s. Analysis of existing studies tended to suggest that in certain types of contexts a performance orientation can be as beneficial as a mastery orientation and that at times individuals can hold at the same time mastery and performance goals (Bouffard, Boisvert, Vezeau & Larouche 1995; Elliot & Harackiewicz 1994). Mastery goals were delineated as positive predictors of task involvement, positive affect in task pursuit or task persistence in the face of set-backs, but as Elliot (2005) concludes on the review of these studies “mastery goals indeed tended to lead to a host of positive processes and outcomes (although evidence linking mastery goals to positive performance outcomes was conspicuously sparse)” (p. 58). What appeared as a necessity was a conceptual and functional reconsideration of performance goals and their impact on individual functioning.

The approach – avoidance distinction in the valence individuals attach to an activity appeared as an illuminating refinement of achievement goals. Dwelling on previous theoretical and methodological accounts, the team of researchers led by Andrew Elliot has gradually introduced this distinction in the achievement goals literature. They described performance and mastery goals in terms of both approach (an orientation to demonstrating ability) and avoidance (an orientation to avoiding the demonstration of lack of ability) components (Elliot & Thrash 2001; Elliot & Harackiewicz 1996; Rawsthorne & Elliot 1999).

These components derive from the valence dimension of competence (Elliot & McGregor 2001). Competence is valued in terms of a positive, desirable possibility (success) or a negative, undesirable possibility (failure). Studies indicate that people process most, if not all, encountered stimuli in terms of valence and do so immediately and without intention or awareness (Bargh 1997). Furthermore, this automatic, valence-based processing is presumed to instantaneously evoke approach and avoidance behavioral predispositions (Cacioppo, Priester, & Berntson 1993).

Elliot and McGregor (2001) defined a 2 (mastery versus performance) × 2 (valence: approach versus avoidance) framework for achievement motivation: (a) mastery-approach goals (in which competence is seen in absolute/intrapersonal terms and is positively valenced); (b) mastery-avoidance goals (in which competence is defined in absolute/intrapersonal terms and is negatively valenced); (c) performance-approach goals (in which competence is defined in normative terms and is positively valenced); (d) performance-avoidance goals (in which competence is defined in normative terms and is negatively valenced).

People who are focused on approach performance goals are oriented toward doing better than others and demonstrating their ability and competence, in other words, approaching tasks in terms of trying to outperform others. In contrast, under an avoidance performance orientation, people try to avoid looking incompetent compared to others, hence focusing on prevention of failure. In both correlational and experimental research where mastery, approach performance and avoidance performance goals are compared, non-adaptive patterns of intrinsic motivation and actual performance usually occur in the avoidance performance groups (Elliot & Church 1997). In appraising the differential effect of achievement goals on task performance, research tends to indicate that mastery goals are generally associated with promotion of self-determination, task involvement, increased autonomy and enjoyment (Koestner 2008; Powers, Koestner & Zuroff 2007). Performance goals are supposed to increase and sustain evaluation anxiety, pressure to meet expected results and normative demands.

What is important to note at this point, is the fact that increased interest and involvement for a task, which are generally rather associated with mastery goals (Ryan & Brown 2005), are not necessarily sustained by high levels of actual performance in that task. For instance, a student can be very interested and involved in solving Algebra problems, but he may have lower results at an Algebra assessment than students who are not as interested or involved in this type of activity. Such discrepancies have urged reconsideration of the distinction mastery versus performance goals, with the specification of goal valence, namely approach versus avoidance.

**Self-determination and achievement goals**
Self-determination theory is organized on the influence of autonomy in motivational processes, proposing that self-determined behavior, freely chosen and reflecting personal values, is associated with the highest levels of individual functioning (Ryan & Deci 2000). Central to self-determination theory is the concept of basic psychological needs that are assumed to be innate and universal. According to the theory, these needs - namely competence, autonomy, and relatedness - must be permanently satisfied in order that people develop and function in healthy or optimal ways (Deci & Ryan 2000). Three main characteristics: autonomy, control, and amotivated orientations are theorized to differentially construct motivation by influencing the extent to which individuals perceive goals as intentionally chosen.

The theoretical model is based on the assumption that people possess inborn tendencies to psychologically grow and develop, to pursue and control environmental challenges, and to integrate within a supportive social context. That is, self-determination is not achieved simply because an individual has certain prerequisite knowledge and skills; it is also important that key people and institutions in a person's life environment provide a facilitative context for the development of self-determination. From an intervention focused perspective, self-determination “refers to the attitudes and abilities required to act as the primary causal agent in one's life and to make choices regarding one’s actions free from undue external influence or interference” (Wehmeyer 1992, p. 305).

Self-determination is inherently linked with the development of intrinsic motivation for an activity and autonomy in approaching tasks. As the need for competence is conceptualized as one of the basic individual needs, the intricate pattern of relations between achievement goals and self-determination indicators has been extensively analyzed in research studies. In mapping differential influences of mastery versus performance goals on intrinsic motivation, Rawsthorne and Elliot (1999) conducted a quantitative meta-analysis of 23 separate experimental studies on this topic. Intrinsic motivation was operationalized through behavioral indicators in the free-choice paradigm, with appraisal of the participants' actual behavior of further engagement in an activity or self-report indicators regarding the individual's intention and interest in future involvement in a given activity.

The authors capitalized in their meta-analytical study on what they assessed as an important distinction in the conceptualization of performance goals. This distinction relies on the conceptualization proposed by Nicholls (1984), and segments the definition of a performance orientation in terms of ego involvement or normative standards. The former refers “to a condition in which one's self-esteem is invested in or contingent on attaining a specified outcome or reaching a certain standard” (Rawsthorne & Elliot 1999, p. 327), while the latter includes an external normative standard in performance level appraisal (a norm group). The authors view performance goals framed in terms of ego involvement as more detrimental to intrinsic motivation and self-determination. The results of the meta-analysis indicated that performance goals are associated with reduced free-choice persistence in an activity, self-reported interest and task enjoyment than mastery goals. The magnitude of the summary composites was reduced, though systematic across all meta-analyzed studies.

The postulated distinction between ego versus normative focus in defining a performance orientation could not explain the variability of results in the meta-analyzed studies. An interesting aspect brought forward by Rawsthorne and Elliot's (1999) meta-analysis was the fact that valence of competence feedback leads to differential influences of achievement goals on intrinsic motivation behavioral measures. Competence confirming feedback led to participants holding a performance goal to decrease their intrinsic behaviors for task pursuit. The same goal condition was associated with an increase in intrinsic behaviors when the feedback was negative (competence infirming) or no feedback was given. Under the latter feedback modalities performance and mastery goals determined similar levels of intrinsic behaviors, measured through free-choice involvement in a given activity. Homogeneity tests revealed that the valence of competence feedback has relevant explanatory power for behavioral measures of intrinsic motivation, but not so much for self-report measures. The approach-avoidance distinction was rendered to better account for the variability in performance compared to mastery orientations. On the one hand, performance approach goals had similar effects on intrinsic motivation behavioral and self-report measures with those of mastery goals. Performance avoidance goals, on the other hand, had detrimental effect of both types of intrinsic motivation measures.

In the SD paradigm, evaluative external input individuals receive, in the form of appraisals or feedback (e.g. grades, verbal or objective rewards) is interpreted depending on the functional significance assigned by the individual to an activity or event (Deci & Ryan 2000). Construction of competence is related to three types of subjectively assigned functional significance: informational, controlling, or amotivating (Ryan & Brown 2005). Firstly, informational significance refers to feedback which offers specific information on how an individual can become more proficient in an activity, without putting pressure on exerting control on his endeavors in that task; this form of subjective significance is linked to positive influences on motivation. Secondly, controlling significance is perceived by a person as integrating high degrees of external pressure in reaching a specific outcome or employing certain strategies toward that outcome; this category of significance induces initial compliance with the imposed demands, but in the long run undermines interest.
and commitment to a task. Thirdly, amotivated significance encompasses feedback perceived as mainly focusing on the incompetence of individuals in a given task, through excessively difficult performance standards or systematic emphasis of shortcomings and errors; this type of significance is supposed to lead to reduced effort and interest and rapid withdrawal from an activity.

The theoretical assumptions of self-determination models construct the image of an individual driven by basic needs which sustain the development of intrinsic motivation and autonomy in action. Construction of competence is therefore further detailed, in that it is viewed as an inborn need, best facilitated through autonomy orientation toward activities and individual assignment of informational significance to the competence feedback ones receives. The role of competence feedback can be better analyzed using findings in this paradigm, with competence confirming feedback leading participants with performance goal to decrease their intrinsic behaviors for task pursuit. The same goal condition was associated with an increase in intrinsic behaviors when the feedback was negative (competence infirming) or no feedback was given. Also, performance goals are associated with reduced free-choice persistence in an activity, self-reported interest and task enjoyment than mastery goals. Research evidence tends to indicate that self-determination is linked to a higher extent to the development of mastery goals, which sustain and are sustained by autonomy beliefs and behaviors, though operational mechanisms pertaining to this relation have not yet been thoroughly investigated.

Self-efficacy and achievement goals

Self-efficacy based theories (Bandura 1997) focus on the individual as a proactive and anticipative system. In this paradigm, self-regulation derives from a dual system of control: a proactive system of discrepancy creation, which functions together with a reactive system of discrepancy reduction. Competence is viewed as deeply rooted in personal experiences with a class of activities, and their definition in terms of efficacy beliefs and outcome expectations. Gradual development of a self-schema regarding one’s efficacy in a specific domain influences competence perceptions in that domain and ultimately impacts upon performance outcomes. Self-efficacy beliefs are reflected at the level of goal setting, planning strategies, implementation strategies and assessments of performance levels (for an in-depth analysis, see Bandura & Locke 2003).

Goal setting parameters (difficulty, complexity, novelty), goal processes (persistence, strategies when facing barriers, allocation of effort, attention deployment) and goal-relevant assessments (perceptions of task controllability, expectancies for success versus failure, processing of negative feedback) are influenced by self-efficacy beliefs. Empirical studies indicate that self-efficacy is positively related to the persistence individuals deploy when facing negative discrepancies between goal and performance outcomes, to task performance and to levels of self-set goals.

A reactive control system comes into play according to this model whenever individuals receive negative feedback regarding their actions, but it is doubled by a discrepancy creation system, in which they set higher standards for themselves, in light of high levels of self-efficacy beliefs. Hence, self-determination in the construction of competence is not only related to reducing discrepancies between personal achievement goals, but also to proactively creating new standards, for higher levels of performance. From an achievement goal perspective, these tenets bring important information, as they detail the perpetual development of competence as interplay between discrepancy creation and discrepancy reduction. In analyzing within individual differences at this level, Jourden (1991) pointed out that when feedback is framed as progress toward goal achievement, self-efficacy beliefs increase, goals become self-set and self-satisfaction attains higher levels. When feedback brings forward shortfalls, all previously presented dimensions decrease and performance gradually deteriorates. It thus seems that development of competence is rather aided by the prospect of self-development and high level beliefs that one has “what it takes” to be proficient in an activity.

In correlational school learning studies, self-efficacy beliefs have been found as positive correlates of mastery goals and development of academic competence is complexly linked with the development of academic self-efficacy (Kaplan & Midgley 1997). Academic self-efficacy is based on student aptitudes and skills, direct or vicarious learning experiences in the specific domain and social support (Bandura 1997). Research on the relation between self-efficacy and persistence indicates that individuals with high levels of self-efficacy tend to be more persistent in pursuing activities, especially in the early stages of learning (Schunk 1995). The confidence induced by high self-efficacy levels aids performance in the face of failure, through better calibration of effort and selection of adequate strategies. The between individuals variability in the development of competence is attributed to differential constructions of self-efficacy beliefs, with age and schooling modifying the meaning of effort and ability (Nicholls 1984). Socio-cognitive approaches on competence point out the role of parents, teachers, educational contexts, peer influences on individual development, revealing an intricate pattern of facilitative and inhibitive mechanisms which impact on personal conceptions of achievement.

Educational studies on mastery versus performance goals take into account this multidimensional conception of competence and try to integrate measures of individual self-efficacy in assessments of
achievement goals. The differential dynamics of the relation mastery versus performance goals with self-efficacy has been extensively researched in educational settings, with mixed results, especially for the performance goals orientation. While mastery goals are generally believed to be associated with higher levels of self-efficacy hence providing partial explanation for their importance in individual development, performance goals are more controversial. Dweck and Leggett (1988) initially postulated that self-efficacy beliefs act as a moderator for performance goals, in that they have negative effects only when combined with reduced self-efficacy, an assumption that had yielded controversial results. Wolters, Yu and Pintrich (1996) pointed out, in a correlational study on junior high-school students, that high levels of performance approach goals predicted high levels of self-efficacy, task value and employment of cognitive and metacognitive strategies.

In another study though, Kaplan and Midgley (1997) did not find a relation between performance approach goals and self-efficacy. Pintrich (2000) proposed a multiple goals perspective in the analysis of the relation self-efficacy beliefs – achievement goals; individuals can hold and pursue multiple goals at one time, for one activity, being both concerned with doing better than others, while also focusing on mastering a given task. This revised perspective on achievement goals has drawn the attention of researchers in the past decade, indicating that an adequate balance between performance and mastery orientation for an activity can yield better and more adaptive outcomes than an exclusive focus on mastery goals (Pintrich, Conley & Kempler 2003).

High levels of task specific self-efficacy represent valid contingencies of interest development for an activity and further action involvement in that activity, with research studies indicating a strong relation between mastery goals and self-efficacy beliefs. Hence, analysis of task interest and involvement through the lenses of self-efficacy processes can offer a more detailed understanding on how achievement goals impact performance in an activity.

Goal-setting and achievement

Goal setting theory was gradually elaborated by Locke and Latham, (two industrial-organizational psychologists) starting from the 1960’s. Their theory focuses on different goal dimensions which can enhance performance, with most applications referring to work and organizational settings. These dimensions care refer to mechanisms through which goals operate, moderators of goal effects, the relation between goals and satisfaction, and the role of goals as mediators of incentives (Locke & Latham 2002).

According to Locke and Latham (2002), goals can affect performance through four processes: (a) directive – they focus attention of goal-relevant activities, at both cognitive and behavioral levels; (b) energizing – high difficulty goals are associated with an increased expenditure of effort, compared to low difficulty goals; (c) influence on persistence in an activity – the level of goal difficulty and the amount of time in which an activity can be completed lead to differential trade-offs between intensity of effort and time spent on the given activity; (d) facilitation in the use of task-relevant knowledge and strategies.

While achievement goal models and self-determination theories operate on “higher” ground, in that they are rather interested in depicting the dynamics of purpose goals, goal setting theory started from applied observations on how goal impact performance and to this day focus on prescribing how goals should be structured in order to lead to the highest levels of performance. Hence, research in this model focuses on the relation goal structures – performance dimension, and tested how goal difficulty, complexity and specificity affect performance, how previous experience and preexisting skills are used to pursue a current goals, how planning strategies are applied to novel goals, how training strategies can influence effective goal setting. A series of meta-analyses on the goal setting model have pointed out the fact that difficult and specific goals lead to better performance than easy, “do your best” goals (Mento, Steel & Karren 1987); hard, specific goals combined with feedback are linked with augmentation in performance (Tubbs 1986); task complexity was found as a moderator for the effect of goal specificity of simple versus complex tasks (Wood, Mento, & Locke 1987).

Though there have been few studies linking achievement goals with goal setting findings, a host of research endeavors in both frameworks have brought into attention that the two models can complement each other in revealing a more complex image of personal intentionality (Senko & Harackiewicz 2005). In analyzing the relation between achievement goals and interest in determining performance, Senko and Harackiewicz (2005) acknowledge that the level of perceived task difficulty is an important factor in the how mastery versus performance goals influence performance outcomes. The researchers hypothesize that mastery goals increase task interest through the mediation of perceived goal difficulty, with mastery goals being perceived as easier to pursue and attain than performance goals. Still, the two researchers do note that the level of abstractness for achievement goals versus task specific goals is different, with the former being more abstract, while the latter are closely linked with task specific requirements and hence more detailed. This is an important distinction between the two types of goals, and one of the reasons, why, we believe, little has been done so far to link achievement goals with task-specific goals.

The focus of goal setting theory and research on goal structures and task dimensions can offer an interesting ground for future studies in the achievement goal paradigm. Some important short-comings that
must be overcome in order to allow goal setting findings to be better integrated in achievement goal research, encompass: (a) more accurate dimensional charting of tasks used in achievement goals studies in order to link task structure with effectiveness of achievement goals upon performance; (b) integration of achievement goals with task goals, in order to better understand which task goal characteristics (as researched in the goal-setting paradigm) better facilitate specific achievement orientations; (c) testing of goal setting assumptions on effective goal structures in contexts where competence is defined on achievement parameters. We strongly believe that operational statements on mastery versus performance goals can be defined in the future using the complex findings of goal setting studies.

Achievement goals: integrative remarks

Achievement goals are defined through contexts where one’s competence is relevant, with mastery goals focusing on competence development and performance goals focusing on competence demonstration. They are linked with different effects on performance in an activity, with feedback being differently processed by individuals operating on a mastery goal versus a performance goal. The approach-avoidance distinction offers a more detailed account of achievement goals effects on actual performance, with the formulation of a goal in terms of avoiding failure being detrimental on cognitive, emotional and behavioral functioning, regardless of mastery or performance focus. Though the importance of achievement goals in defining individual intentionality structures has been long established, the theoretical tenets could benefit from analysis of goals conducted in other goal models. Viewing achievement goals through the lenses of self-determination mechanisms aids a better understanding of how performance versus mastery orientations differently impact performance outcomes. When analyzed in ecological settings, self-determination in action representation and implementation represents a key factor in the situational development of achievement goals. Two conceptual distinctions made in this paradigm contribute to a better understanding of the relation achievement goals – performance outcomes, with an operational focus on intrinsic motivation patterns. Firstly, the valence of competence feedback differentially impacts performance versus mastery goals, with competence confirming feedback leading individuals holding a performance goal to decrease their intrinsic behaviors for task pursuit, while for mastery goals it is linked with an increase in intrinsic behaviors for task pursuit. Secondly, construction of competence is mediated by three types of subjective functional significance the individual assigns to an activity or event: informational, controlling, or amotivating. These modalities of functional significance gradually lead to different achievement orientations toward that activity, with the informational significance being associated with the most positive influences on action implementation.

In order to analyze the relation achievement goals – task performance, a valuable source of information is offered by the goal setting theory, which focuses on goal structural dimensions that increase performance. This model maps both goal structural organization and task characteristics, in establishing how a goal should be formulated in order to lead to high levels of task performance. Goal and task difficulty, novelty, complexity and specificity have been thoroughly analyzed in this model, in direct relation to structural segmentation of a given task. The relation task goals – purpose goals, where through purpose goals we investigate achievement goals, can be better traced using structural analysis dimensions which were researched in the goal setting paradigm. In order to tap into the relation achievement goals – task goals – performance, we will next use dimensions of analysis employed in this paradigm.

The role of self-efficacy beliefs in goal directed behavior has been widely researched, both in the achievement motivation framework and the self-efficacy one. Empirical studies, conducted in laboratory and field settings, have brought into attention the power of high task self-efficacy when individuals are confronted with negative discrepancies between goal and performance outcomes. In the self-efficacy framework competence is inherently related to a dual process of discrepancy reduction and discrepancy creation in setting and implementing new goals. Individuals are orientated toward achievement not only in order to reduce the distance between an expected (or imposed) performance outcome and a present state, but are also driven by a proactive tendency to set and engage in new goals, without any preexisting negative pressures, internal or external. In the pursuit of a goal in ecological contexts individuals gradually develop activity-specific efficacy beliefs, which are in a relation of dual determination to mastery and performance goals. Development of task interest, future behavioral involvement in that activity, persistence when task performance is at low levels or it plateaus are all linked with high levels of self-efficacy. Unfortunately, this complex dynamics cannot be investigated in experimental settings, but it is important to note that recent studies bring into attention that self-efficacy beliefs can be positively reflected in achievement goals, both mastery and performance oriented, but only when they have an approach valence.

Bibliography


Managerial Accounting
Decision by Using Total Cost Method

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Key words: Complete cost, control, managerial accounting, information, decision
Abstract: Cost accounting has long been used to help managers understand the costs of running a business. Modern cost accounting originated during the industrial revolution, when the complexities of running a large scale business led to the development of systems for recording and tracking costs to help business owners and managers make decisions.

Cost, as a instrument of financial administration control, reports to informing the decision factors. It permit managers to form a global view about enterprise and to manage the relations with costumers by prices.

Having a informative character, it is necessary that this instrument to be review by qualitative characteristics of accounting information. Thus, the main characteristics of cost information are: opportunity, reliability and signification.

Opportunity refers to terms when cost information must be known by the manager. Thus, information is timely if it is available at the moment of decision.

Reliability – information is reliable if it doesn’t contain errors or incomplete elements, thus the manager trust in it.

Signification – information is significant when it influence the decisions of managers, permitting them to evaluate the past, present and future events for confirm or correct the past evaluations. For financial administration control a cost is significant if it can be used in a decision, having relation with every of managers decisions.

Belong these qualitative characteristics of cost information and the necessity of an equilibrium between them, it must be said that the usage of informations in decision proces depends of the medium in which the enterprise is evaluating. This medium is complex and it includes many factors like:

• production size;
• sale size;
• technological level.

Depends of these factors, the medium in which the enterprise evaluate can be stable or unstable. The main caracteristic of stable medium is the stability of factors.

For calculating the complete costs we ca use the analysis centers method, which requires separating costs in two important categories:

• costs which can be affected to the product, direct costs;
• costs which can not be affected to the product, indirect costs; these costs will be colected and then charged to the production using the repartition proces.

Complete costs are important for making decision proces regarding the market. However, complete costs have also some drawbacks as:
including some unsignificant informations for decision proces – because the methodology of complete costs refers to alocation of all costs about products, including unsignificant elements in complete cost information is unavoidable;

• repartition bases need – because not all the production costs are directly repartited to the product, it’s necessary to used repartition bases. The problem is that these repartition bases involve a subvention cost phenomenon.

• opportunity - complet cost is a reliable information, but isn't timely because it is obtain at the end of production proces. However, complet cost is a reliable information in condition of constant volume of production and sales – stable medium.

Managers need to distinguish between relevant and the irrelevant costs. Total cost contain irrelevant information. There are a number of decisions for which total cost can not be used.

Regarding the unsignificant informations it is relevant the below examples about irrelevant costs:

- Manager decision of keeping an old equipment or buy a new equipment
- Manager decision "produce or buy"

**Manager decision of keeping an old equipment or buy a new equipment**

Frequently, irrelevant costs affect decision process in interpretation of accounting values of tangible goods.

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<tr>
<th>Tabel.1.1. Manager decision of keeping old equipment or buy new equipment</th>
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<tbody>
<tr>
<td><strong>OLD EQUIPMENT</strong></td>
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<tr>
<td>Historical cost</td>
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<tr>
<td>Accounting net value</td>
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<tr>
<td>Period left</td>
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<tr>
<td>Market value</td>
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<tr>
<td>Annual variable costs</td>
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<td>Annual income from sales</td>
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In this situation some managers would choose to continue the activity with the old equipment because removing him would lead to a loss of 50.000.

Accounting net value – 140.000
Market value – 90.000
LOSS – 50.000

But carefully assessing the situation can see that one is irrelevant costs is accounting net value 140,000 of old equipment. This is already a produced cost and it must be absorbed whether equipment is kept (depreciation) or if it is sold (with disposal costs of assets).

Focus on relevant costs involve:

- Elimination of costs already produced: 140,000 accounting net value
- Remove information identical to the 2 situations:
  - Annual income from sales: 500.000
  - Duration of use: 4 years
  - Annual variable costs to a level of 300.000

In these conditions only remaining information is important for the decision taken by the managers:

- reducing variable cost: 45.000 * 4 years = 180.000
- purchase price of new equipment: - 200.000
- receipts from the sale of old equipment: 90.000

RESULTS: + 70.000

**Manager decision “produce or buy”**

Assuming that firm X produces a subset used to produce one of its main products. The main information on the production of this subset are:

<table>
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<th>Tabel.1.2. Manager decision “produce or buy”</th>
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<tr>
<td><strong>Unit cost</strong></td>
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<td>Direct material</td>
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<td>Direct labor</td>
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<td>Variable overheads</td>
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<td>Controller salary</td>
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<td>Depreciation</td>
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<td>General expenses allocated</td>
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Firm receives an offer from a provider which can deliver 8000 pieces at a price of 19. What decision should take the manager?

At first sight the decision is to buy. To get an accurate decision-making should be eliminated anyway costs occurred:
- depreciation;
- general expenses.

In these conditions by restoring critical calculations, decission of produce bring a gain of 40.000. Therefore, the optimal decision is to produce. However, the decision can be influenced by other circumstances. If production space could be used in one other activity that could bring an income of 60,000, then the decision changes.

The enterprise is under submission of many mutations from extern medium (market conditions) and from intern medium (intern structure conditions and production).

In daily economical condition, the market has been evaluated, being characterized by an exacting demand speching of quality because of an powerful competition.

The competition belong to the enterprises capable to keep up an evolution of tehcnical progres and managerial inovations, because there is an evolution of market and also a change of internal production conditions. The grown of tehcnical measure of production goes to minimize the diference between direct labour and indirect labour.

The grow of automatization production and the development of service activities goes to the subscraction of direct expenses and the grown of indirect expenses. Thus, the alocation of indirect expenses with repartition bases offers unreal informations about cost .

The clasic model of organize the enterprise suffer important changes because the organizations have now a network of decenralizated structures with few hierarchical level and a tranfunctional approach.

The usage of clasical complete costs going to the aperation of a phenomenon of subvention for the complete cost of products wich have the same repartition base.

In the specialty theory it have been identified three kind of subvention effects:
- effects because of diversity of activities and of disparity of costs;
- effects because of production size;
- effects because of made investitions for growing productivity.

The improvement of complete costs method can be done by using the calculation method Activity Based Costing (ABC). This method became a international researching trend, being considereted one of the most important inovation in managerial accounting at the end of twenty century. Activity cost model is an analytic accounting system built on the activity concept.

An activity is defined as an ensemble of elementar operations done by one or more people, which permit the supply of some utilities depart of some resourses. The activities are grouping in proceses. So, an activity is composed from elementar operation and it is included in a proces.

A proces is defined as an ensemble of activities structured for obtain an common objective and has three esential characteristics:
- it is structured in a transversal way unlike hierarchical structure and unlike the main functional structures of enterprise;
- each proces has an global unique output;
- has an intern or extern costumer.

This method is not only a simple cost calculation system for products, but it is a expenditure resourses system.

In Activity Based Costing method, the costumers generate the existence of some calculation objects which create the demand of consumer resourses activities. The structure of enterprise by activities offers a good presentation of expenditure resourses proceses, because the ABC method is concerned first to the expenditure of resourses by the activities which compose the enterprise. Financial administration control must establish the activities.

In our days, financial administration control becomes an advantage in market competition.

Fixing the activity cost mean to associate evry activity with an explicativ factor al cost variation, named cost inductor.

The cost inductor is a alocation base for indirect expenses to activities and to calculation objects. Each cost inductor must express a determination relation with indirect expenses. The cost inductors are the determination factors which generate indirect costs.

The identification of cost inductors is realised using an cause - effect analyse, because a cost inductor must be the reason of a resourses expenditure. Regarding the type of performance, the inductor can be a cost inductor, quality inductor or execution term inductor. Thus, Activity Based Costing method introduces a multicriterial administration of enterprise, based to a information system about the quality and a information system about delivery term. The effective expenses and the bugting expenses are follow to activities.
In the specialty literature, it can be find the following types of cost inductors:

- operational inductors – specific for operational activities, as: supplies, fitting and distribution;
- structural inductors – which are specific for structure activities, as: general administration, treasury administration.

Cost calculation by activity involves the following steps:

**Stage 1 Mapping activities within the enterprise**
Each work center is associated with a process and then decomposed into elementary activities. The objective is to identify activities starting to justify their value creation process within an enterprise, this one being an organizational analysis.

**Step 2 Identification of use resource explanatory factors: cost inductors**
Individualized for each activity is seeking an explanatory factor of the use of resources known inductor of cost. In terms of management control, the activities retained their utility only to the extent that, for each activity, an inductor associated cost, which is due to those activities.

**Step 3 Regrouping activities by inductor cost**
In this phase, all activities that cost the same inductor are grouped into a center of aggregation. Also in this phase is calculated at a unit cost of the inductor equal to the ratio collected in the center of aggregation inductors and total cost.

**Step 4 Calculation of total cost, by affecting the cost of activities on various items costing**
In this last stage of calculation is determined the cost object by summing up direct expenditure and consumption costs from inductors of aggregation centers, those related to obtaining utility. Specific element is the method of allocating indirect costs, contributing to the production and sale of a particular product. This mode of formation of total cost of a product allows a more effective dimension more effective control on indirect costs, items that tend to become significant in the total cost of products.

The novelty introduced by the ABC method is that the manager is concerned with processes generating costs before these costs are concerned with attaching to a calculation object. Therefore, information on the cost of doing business becomes, in terms of decision-making, more important than the cost of the product.

Many firms adopt activity-based costing to reduce distortions in product costs often found in their volume-based costing systems. Volume-based costing systems, generate producer service costs bearing little or no relationship to activities and resources consumed in operations. ABC clearly shows the effect of differences in activities and changes in products or services on costs. Among the major benefits of activity-based costing that many firms have experienced are:

- Better profitability measures. ABC provides more accurate and informative product costs, leading to more accurate product and customer profitability measurements and more effective analyses of profitability and market segments.
- Better decision making. ABC provides more accurate measurements of activity-driving costs, helping managers to improve product and process value by making better product design decisions, better customer support decisions, and fostering value enhancement projects.
- Process improvement. The ABC system provides the information to identify areas where process improvement is needed.
- Cost estimation. Improved product costs lead to better estimates of job costs for pricing decisions, budgeting, and planning.
- Cost of unused capacity. Since many firms have seasonal and cyclical fluctuations in sales and production, there are times when plant capacity is unused. This can mean that costs are incurred at the batch-, product-, and facility-level activities but are not used. Capacity is supplied but not used in production ABC systems provide better information to identify the cost of unused capacity and maintain a separate accounting for this cost. For example, if a particular customer’s order requires the addition of a certain type of capacity in the plant, then the customer can be charged for that additional capacity. Alternatively, if a plant manager decides to add capacity in expectation of future increases in sales and production, then the cost of that additional capacity should not be charged to current production but added as a lump sum in the plant’s costs. Overall, the goal is to manage capacity levels to reduce the cost of underutilization of capacity and to price products and services properly.

Although activity-based costing provides better product or service costs than volume based systems, managers should be aware of its limitations:
• Allocations. Not all costs have appropriate or unambiguous activity or resource consumption cost drivers. Some costs require allocations to departments and products based on arbitrary volume measures because finding the activity that causes the cost is impractical. Examples are facility-sustaining costs such as the costs of the information system, factory manager’s salary, factory insurance, and property taxes for the factory.

• Omission of costs. Product or service costs identified by an ABC system are likely to not include all costs associated with the product or service. Product or service costs typically do not include costs for such activities as marketing, advertising, research and development, and product engineering even though some of these costs can be traced to individual products or services. Product costs do not include these costs because generally accepted accounting principles (GAAP) for financial reporting require them to be treated as period costs.

• Expense and time. An ABC system is not cost free and is time-consuming to develop and implement. For firms or organizations that have been using a traditional volume-based costing system, installing a new ABC system is likely to be very expensive. Furthermore, like most innovative management or accounting systems, ABC usually requires a year or longer for successful development and implementation.

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Evaluating of Satisfaction Degree among the Master Students from the „George Bacovia” University in Bacau

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Key words: evaluation, satisfaction degree, master, questionnaire, teaching

Abstract: The paper presents the result of a research study undertaken in order to evaluate the satisfaction degree of the master students from the “George Bacovia” University of Bacau. It is based on the processing of the answers to the questions of a questionnaire which was given to a number of 82 students. The conclusions can help to improve the activity performed in the institution.

The “George Bacovia” University was founded in 1992, as an alternative to the public higher education. Currently it is certified for the Bachelor’s degree cycle (8 majors) and for the master’s degree cycle grouped within three faculties: Accounting and Management Information Systems, Business Economy and Management.

The aim of the study is the evaluation of the satisfaction degree among the master students from the university.

The data collection was done through a questionnaire (presented in the appendix) given to the master students from the majors: Business Management, Business Marketing and Management-Marketing, second year of study.

The conducted research is largely an investigation because the concerned collectivity is not entirely representative for the master’s degree cycle of the university. However I consider the results relevant. They have enabled the formulation of assessment of educational activities and of the ones related to teaching in the university.

The questionnaire grouped the questions on several modules, aiming at:
- Knowledge of respondents (specialization, employment, age, gender, etc.)
- Revealing the degree of satisfaction with the institution of education (bachelor, master, activities related to the teaching act);
- Assessing the strengths and weaknesses of the university.

Processing questionnaire answers
The first module of questions aimed at highlighting the main characteristics of the respondents.

The collectivity included in the study was formed of 82 persons, of whom 42 - female and 40 - male, so a very balanced structure.
All participants in the survey are in the second year MA students. Of these 44 (53.7%) are graduates of the University "George Bacovia" of Bacau. It is remarkable that most graduates of the Bachelor’s degree cycle - management and marketing specialties - have chosen to continue their studies in the university.

The structure of respondents according to the licensing specialization is shown in Figure Y. It may be noted that most of MA (57.3%) have opted for a master by which to continue training in the same specialization.

According to the education form studied during the Bachelor’s degree cycle, about 63% of respondents were full-time students; about 32% low frequency students and only 5% distance learning students.
The graduation year shows respondents who mostly (80.5%) continued their studies without interruption.

The mark obtained at the license examination is in 33% of the cases between 8 and 9, and in approximately 48% of the cases over 9; we can say that they are master students with good and very good results.

The questionnaire contains two modules of questions that are related to the degree of satisfaction with the Bachelor’s degree and master’s forms. I will present the processing of answers to these questions.

- When asked “How satisfied are you with the specialization chosen?” regarding the Bachelor’s degree cycle, almost all the respondents answered “very satisfied” (46.3%) or “satisfied” (51.2%). Taken together, these two considerations lead to an overwhelming proportion of those satisfied with this choice. Only 2.5% declared themselves dissatisfied with the specialization in the Bachelor’s degree cycle.
Very satisfied 46%
Satisfied 52%
Unsatisfied 2%

Fig. 6 – The satisfaction with the Bachelor’s degree graduated specialization

The answer is almost similar also as regards the degree of satisfaction with the chosen master where all subjects responded “satisfied” or “very satisfied”.

- When asked “How satisfied are you with the curriculum?”, both for the Bachelor’s degree and the master, the students answered “satisfied” and “very satisfied” in 98% of the cases; the response must be viewed with reserve, if we consider that about 25% of MA students have never worked and therefore could not prove in practice the correlation between the content of curricula and the requirements of employers.

- Regarding the Bachelor’s degree cycle, one of the questions refers to the degree of satisfaction felt regarding the practice carried out during university. The responses to this question indicate the following assessment: the “very satisfied” and “satisfied” amounting to 64% (52 persons), and the “dissatisfied” and “very dissatisfied” covering the difference of 36% (30 people).

Very unsatisfied 5%
Very satisfied 18%
Unsatisfied 32%
Satisfied 45%

Fig. 7 - The degree of satisfaction with the conduct of practice

It should be taken into consideration that the most satisfied with the conduct of the practice have been those who attended the low frequency education and who had the opportunity to conduct actual practice in their employment status. It is the university activity less appreciated by students. The responses should be an occasion for reflection and action to solve an issue of utmost importance for practical training of our students.

- The question "How satisfied are you with the training of the professors?" has been asked of both the Bachelor’s degree and the Master’s degree students. The graphical representation of the answers is shown in Figures 8 and 9.
- The next question “How satisfied are you with the teaching skills of professors?” with reference to the master’s degree cycle is related to the previous question. The answers were equally divided between “satisfied” and “very satisfied”.

- We can not ignore the question “How satisfied are you with the quality of the content regarding the recommended teaching materials?” related to the master’s degree cycle, knowing that the role of individual learning in this cycle, of research, is significantly increased compared to the Bachelor’s degree cycle. The answers have led to the following conclusion: the vast majority of MA students are “satisfied” and “very satisfied” (96.3%), only 3.7% are “dissatisfied”.

A special module scans the degree of satisfaction of MA students with activities related to the teaching act. We included in the survey questions regarding the secretary’s office, library and website activities.

From the answers to these questions there results that:
- As regards the activity of secretary’s office MA students have only good feedback (59.3%) and very good (40.7%). The responses confirmed the view that already exists in the university;
- The library (the book, online access, the service provided by librarians) also enjoys a good appreciation among students, thus 51.2% are “very satisfied”, 45.1% are “satisfied” and only 3.7% are “dissatisfied”;
- As regards the information contained in the university website, the views are as follows: 32.9% “very satisfied”, “satisfied” and 59.8% 7.3% “dissatisfied”.

At the end of the questionnaire the respondents, the graduates of the Bachelor’s degree cycle from the "George Bacovia" University (44 persons, 53.6%) have listed 3 strengths and 3 weaknesses as regards the university.
The main strong points are as follows:
- Preparation, the performance and availability of professors;
- University endowment;
- Flexible schedule for students.

The following weaknesses were highlighted:
- Lack of accommodation and parking;
- Organization of practice;
- The tax;
- Poor secretary’s office activity at the Business Management Faculty (Bachelor’s degree cycle).

Conclusions

The processing of the results obtained through the questionnaire administration led to the conclusions that can be taken into account in the diagnosis of work done in the university and its development strategy.

Among them we highlight:
- The university organizes MA cycles well positioned on the academic supply market, which is proved by the number of students and also by the choice made by the university’s own graduates and also by those of other universities (in the region and not only);
- Most students are young; they continue their studies without interruption and come with a good education from the Bachelor’s degree cycle;
- Mostly, students are satisfied and very satisfied with the specialization chosen, the content of curricula, the training of professors and their teaching skills, the quality of the content of teaching materials recommended;
- The activities related to the teaching act enjoy good and very good feedback.

As a consequence of the results obtained from the processing of questionnaires, we appreciate the position of master’s degree studies at the University “George Bacovia” of Bacau as favorable.

Appendix (Questionnaire)

The Evaluation of the Satisfaction Degree among the Master Students from Management – Marketing Fields

Graduate of the University: _________________________
Specialization: ___________________________________
Education form: full time learning reduced attendance
distance learning evening class (school)
Year of graduation: _____________
Mark at the degree exam:
under 7 [7 – 8] [8 – 9] 9 and over 9
Age: under 25 yrs. [25 – 30] [30 – 35] [35 – 40]
[40 – 45] [45 – 50] over 50 yrs.
Gender: female male

Regarding the Bachelor’s degree cycle:
How satisfied are you with the chosen specialization:
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the curriculum (syllabus) studied in college:
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the practice done during the college:
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the professional training of the faculty:
very satisfied satisfied unsatisfied very unsatisfied

Regarding your job
After college graduation you had periods of over three years during which you did not work:
yes no
You are currently working: yes no
You are hired in: public sector private sector public administration
You have been working since college: yes no
You are currently working in the field of specialization certified by the university degree: yes no
You are working in the department: supply-sales marketing organizing-planning financial-accounting human resources IT education public relations others

How many hours do you normally allot to the paid lucrative activities:
under 30 30 – 40 40 – 50 50 – 60 over 60

Have you tried to start your own business: yes no
You currently have your own business: yes no

Regarding the master’s degree cycle
How satisfied are you with the master chosen?
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the syllabus of the master?
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the professional training of the faculty?
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the teaching abilities of the professors?
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the quality of the content of the recommended didactic materials?
very satisfied satisfied unsatisfied very unsatisfied

Regarding the related activities of the teaching process
How satisfied are you with the secretary’s office (master): 
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the library office (books stock, on-line access, the services offered by librarians)
very satisfied satisfied unsatisfied very unsatisfied
How satisfied are you with the information on the university web site
very satisfied satisfied unsatisfied very unsatisfied

If you are a graduate of the “George Bacovia” University (Bachelor’s degree cycle):
Specify three strong points regarding the university:

Specify three weak points regarding the university:

Thank you!

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Innovation and Creativity within the Economic Organizations

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Key words: creativity, innovation, The European year of creativity and innovation, brainstorming, base product, real product, total product, leader products, “locomotive” products, tactical products, appeal products, decisional gates, infra-technology

Abstract: In the present context, the studied theme is of particular importance, because the manifested creativity in the industrial sector is the main determinant factor of the economical, social and spiritual progress in human society.

Secondly, I mentioned the fact that any human has a hereditary creative legacy of a smaller or a bigger value. This legacy can be developed by theoretical training and practice, and the creative potential can be valued if exists a spiritual, social and material motivation and if the social environment appreciates or not the creative activity. The leaders’ task is to develop a creative environment, to identify each collaborator motivation and to stimulate the development of the creative spirit of these. In Romania, the country in which the system of one of the most important philosophers – Lucian Blaga – raised his edifice around the idea of human creative destiny, the majority of humans should action in a creative mode.

At the beginning of the 19th century, the national prosperity and the individual standard of life are directly connected to the efficient application of the technology, which supposes the valuing of the creative activity results. Presently, the economical leadings should understand better the connection which exists between innovation, technology, productivity and prosperity, a connection which is established without taking into account the cultural differences and which is applicable to all the states, regardless their level of development from economical, social or industrial point of view.

Thirdly, I mentioned the fact that the creativity stimulation is necessary. This matter of the stimulation of the creative spirit began to concern the science people since 19th century. The great science man Claude Bernard, for example, publishes in 1875 the work “General Philosophy”, in which he referred at the necessary stages in the identification of a new creative result. At the end of the 19th century, the great scientists began to be concern by the reception and the acceptation of the new by majority of people, by the necessity and the favourable conditions to insert the new into industry, considering that the people should be sensitized and prepared to assimilate the new.

Fourthly, I mentioned that in the first half of the 20th century the studies showed the interaction between the evolutions of different branches of science, also tried to substantiate scientifically the creative process as a phenomenon and showed the fact that only in the alive organically unit between science and technique, these can help each other: the science opens to the technique new perspectives, which, by own initiative, previously courageously examines its, on the other hand, along with the technique development, not only that the science is enriched with new opportunities in the technical report, but its theme enlarges and gets a better new defined orientation. The Austrian economist Joseph Alloys Schumpeter mentioned for the first time the mechanisms and the factors of the innovation process, proving that the entrepreneurial spirit and the possibility of obtaining temporally monopoly profit could stimulate the insertion of the new products on the market, or the reducing of the production costs. Schumpeter defined as “creative destruction” the phenomenon through which a place is made on the market to a new innovator, by crushing the previous market structure.
Anatol France

1. New products – the main form of manifestation of the creativity

On the economic organizations one of the most important ways of manifestation of the creativity is the development and the marketing of new products meant to increase or remain competitive. The analysis of the development process of the new products within a new organization, offers a much clearer image regarding the role and the importance of the creativity, the practical way of its manifestation, the opportunities to stimulate and value this valuable human capabilities.

According to the definition given by Kotler¹: „A new product is any offered thing on the market, with the purpose of the capturing of the interest, of buying it, of the usage or consumption and which could satisfy a need or desire, it includes objects (tangible), services, persons, places, organizations or ideas.”

The product is seen as a multidimensional offer, as a mixture of touchable and untouchable attributes, which can be structured on 3 levels:

- Basic product which represents services or the elementary advantages wanted by the buyer where he buys the product (if the client doesn’t feel the product utility, actually the product doesn’t exist for him);
- The real product which is situated around the basic product, combines features such as: quality, characteristics, mark, packaging, style, in such a way to provide the elementary advantage, in a form more adequate to the consumers requirements
- Total product (or improved) adds to the elementary product a series of intangible characteristics which are increasing the product attractiveness
- and utility (guaranty, the changing of the defective products, free service, the credit, home delivery, a mark image etc)

The intangible characteristics can be decisive in the selection of one product, in terms of increased standardization of the products, of the smoothing of the offers, the consumers guiding, more and more, their options on the elements of intangible nature, which are accompanying the real product, a thing meant to increase the efforts orientated to the innovation, the creativity manifested in this field being vital in the upgrading of the competition

Consequently, due to its complexity, the product must be seen both under the technical aspect (accordingly to the optics of the engineer in research and production), psychological and sociological (aspects connected to the fashion, habits, behaviours, biases etc), and economic (from the cost, price, rateability etc point of view)

The characteristics of a product are of technical nature (such as constructive solution, the nature and the structure of the materials, the precision and the safety in functioning, ergonomically characteristics), economical (concerning the specific consumptions, the usage indicators, the level of automation, the maintaining expenditure), social, concerning the utility of the product and the effects on the environment, psychosensory and aesthetics (the exterior aspect, the finishing, the concordance with the fashion, the comfort of its use etc.)

Usually, the products are classified in two big categories, according to their destination: goods of consumption (meant to the satisfy both personal and family needs of the buyers) and economical goods (bought to be used in the organization activities such as raw materials, materials and spear parts; machineries and production equipments, supplies and services)

This classification is useful taking into account that between these two categories of products there are a series of wide variations concerning the specificity of the market (given by the nature and the behaviour of the consumers), the way of the request manifestation, the possibilities of its prediction, the ways to promote, distribution, but also the pricing policies.

- “leader” products which appeared due to the innovation process and which bring financial successes and fame to the organizations which are launching and commercializing them on the market;
- “locomotive” products, in many cases leader, which thanks to some particular advantages are “caring on their backs” the other products of the organization;
- „Tactical” products with which the company complete the products range offered on the market to determine the loyalty and even the addiction of the buyers to their own products;
- “Appeal” products are, usually, those with lower price or of reduce series, which are serving as an element of calling for the other products of the company/organization.

The analyses realized with the help of these classification, allow the managers the substantiation of their decisions of the establishing of a more equilibrate products list, which combines profitability on short term with the one on medium and long term.

For the definition of the new product, there are more interpretations and even controversies, having an optical of the customer and one of the producers, each of it having own evaluation criteria. On the other hand, the specialists of the organization themselves have different opinions: a strictly engineering close-up view of the novelty uses as criteria the technology or the materials used to the making of the product or its technical performances, meanwhile a marketing close-up view includes a series of different aspects regarding to the destination of the products and the conditions of its realization on the market.

No matter the close-up view, we consider as new products, at the level of the organization, both the brand new and original once and those improved and/or modified the new brands that a company tries to place on the market. Sure is useful the distinction between the brand new products and ameliorated or improved products, which are the result of the organization efforts of innovation and diversity of the list, taking into account the different levels of involvement of the creativity, the risks and expenditure associated to its, as well as the short, medium and long term effects.

The recognition of the novelty degree and its record, as well as the period of time when we can attach to the product the attribute of new, are elements that must be established for each product, to be able to analyse and to determine correctly its effects at the organization’ level, but also of the branch in which the company is activating.

Among the absolute novelty products we can delimitate those which are new on the world market from those new but for a company or a certain market, the certification of the novelty taking place, finally, within the confrontation with the market.

R.Leduc \(^1\) makes a classification of the products accordingly to the novelty degree, grouping them in eight categories:

- products creators of inexistent needs after;
- new products for existent needs;
- ameliorated products that are better satisfying the existent need;
- products in new versions, specific to certain segments of consumers;
- new utilizations for the existent products;
- a new packaging for the product;
- a new form of distribution for the existent products;
- a new price for the existent products.

Novelty approach requires o large vision in the process of creation of new products or of improving those existent, from which we can’t exclude both the engineering criteria and market criteria.

At the level of the organization we could have new products, by buying licences or even by the buying of a new organization, either through the creation of new products in the compartment of research-development, through the innovation activity, which must be permanent and sustained to have positive results on medium and long term.

Considering as new products both those original, and those improved, modified or even copied, the company must find the best solutions to minimise the risk of failure, taking into account that the new products have a lower rate of success (approx. 20%), being expensive and needing time.

The innovation and the change, ever more present in the economic organizations, are an answer at the fast evolution of the market, due to the increased competition and to the consumer requirements, tastes and income, found them in an accelerated change.

The organizations are innovating with different speeds, with more or less success, some of them being competitive and visionary in their own activities of products development, some others proved reactive and conservatives. The risks associated to the development of new products are considerable, statistically estimating a failure rate of approx. 60-70% in the 1st year of launch, and a big part from those remained, never ending as massive successes. Therefore is to be understood the reaction of many managers in adoption of a innovative strategy, as well as the tendency of imitate of success behaviours existent on the market, the buying of licences or the sharing of the risks through collaboration with other research units, production or commercialisation.

The followed objectives through the innovation activity are multiple and according to the certain conditions, by the global strategy of the organization, it is followed the increase or the keeping of the market share, the products diversification, the keeping of a top position in the field of innovation and the keeping of the competitive advantage, the total utilisation of the results and accumulated experience etc.

Therefore, the defence or the increase of the market share represents an important stimulant for the innovation, being directly connected to the keeping of the profit increase, and the development means, in most of the cases, expanding on new markets or segments of market, as well as the diversification of the products (which also ensures the avoiding of a addiction to a reduced products range).

The new competitive products are helping to the overcoming difficulties of distribution, allowing a close-up view of the commercial relationships with intermediaries’ stronger positions. The innovation is ensuring the

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valuing of the experience accumulated in work at the level of the organization and it is creating possibilities of a much efficient usage of the resources, of the reducing of the effects of seasonality or ciclicity, appeared in the company’s activity.

In an economic organization, analysed from the point of view of the novelty degree, the new products, the result of the innovation activity, can be shared in two distinct categories: novelties at the level of the organization and novelties at the level of the market. To obtain new products at the level of the organization, innovation activities are executed at the level of the processes, as well as incremental product innovation, meanwhile the absolute novelties are the result of a radical or break innovation.

In the product innovation field we can identify six categories of new products:
- absolute novelties, with the potential of creating new markets or even new industries, this kind of innovations being rare si presenting major development and commercialisation risks;
- new products lines, which aren’t new at the market level, but they are new for the producer;
- the extension of some already existent products, which are fabricated in the existing production lines within the organization;
- improvements and revisions of existing products by repackaging, repairing, changes in the composition of the products, design etc;
- repositioning, which consist of new uses for existing products or reorientation to new market segments;
- The cost reducing, which consist of redesigning the products in such a way that the products performances are being kept, but with lower prices, this process being possible thanks to the innovation process.

The process of innovation is a complex one, which cannot be taken as a linear model, as a succession of pre established stages, due to the numerous existent connections and interactions, between these and to the reiterates that occur.

1.1. The "stage-gate process" innovation model

Innovation is an essential element of costs reducing, either we talk about a new or improved product (in this case, an increase of the request could take place, which will allow the organization a better value of the scale effect), either the innovation refers at the technological fabrication processes (which could lead to the increase of the productivity, to the reducing of the consumption and it also advantages the experience effect).

The products innovations are realised to renew the products scale existent on the market, under the pressure of the request and selling prices fall. The product renew in the sense of the technical and quality level improvement, of the enlargement of the functionalities, of the reducing of the raw materials and energy consumption is being done along with the improving of the fabrication technologies.

The evaluation mode of the ideas of new products is a practical and efficient modality of analyse and selection of the ideas which deserve to be kept and ulterior protected through diverse forms of intellectual propriety.

A very often utilized model in the European organizations is the one known under the name of "Stage-Gate Process", an operational and conceptual model, which represents the road to be followed by a project of new product, from the birth of the idea to its market launch. Developed by the PDMA, the system is mass utilized presently in numerous big organizations, knowing more modalities of application which, essentially, start from the same close-up view of the innovation process as a succession of stages in which are intercalated “decisional gates”, respectively managerial decisions, which allow or not the process continuation.

This model allows the order and the efficiency of this complex development of the new products, ensures the connection on feasible projects from the technical and commercial point of view and the elimination of time for those with a lower chance of success, it reduces considerable the time until the effective launch of the new product on the market, with the conditions of an efficient management of the associated risks and costs. In each organization it is useful the definition and the formalization of the modalities of development of the innovation processes and the development of the new products with the purpose of insuring of an efficient and pre established frame work, which allows their transformation from random events in permanent, strategically and subjects to improve activities.

1.2 The role of the creativity for the development of the new products

Considering the importance of new products development process, we consider useful the detection of some specific ways in which creativity can help with new ideas and original solutions for the solving of the problems met in this complex and risky process, but absolutely necessary for the viability and financial success in one economical organization. The development process of a new product cannot be considered as being composed to the following phases (up to the costs, time and the risks involved by these): the phase

1 PDMA Product Development Management Association, Mont Laurel, New Jersey.
of generating ideas and of delineation of the concept of new product, the new product development phase and production and commercialization phase. The changing from one phase to another is an important decision and it must be based on a pre established set of clear and precise criteria, which must be in concordance with the innovation policy and global strategy of the organization.

1. The 1st stage of generating ideas for new products is meant to produce a large quantity of ideas which, afterwards crossed through different filters, to be subdue to a process of selection of the most valuable and feasible of it, to be improved and developed in the next stages.

The sources of new ideas are numerous, both internal, such as: the specialised compartments of research-innovation, projecting, marketing, production, sales, customer service, but also from the superior board, employs and sales personnel suggestions, and external to the organization: the competition, customers, specialists, consultants in various domains, providers, business partners etc.

The research of new ideas must be directional, and the generating of it must be done systematically and not random, a permanent flux of ideas being necessary to be able to have a sufficient base of selection, in that direction, very important is the general strategy of the company, as well as the strategy regarding the new products, the established objectives in this domain must be in concordance with the strategies which refer to the way of utilization of materials, human, financial and informational resources at the company disposal.

The activity of research-development is the main frame work of manifestation of the creativity at the level of one organization and a permanent source of new ideas, having it numerous other internal or external inspiration sources. The opportunities offered by the market are numerous, the study of it being an important source of ideas for the new products, but also for the other innovations for the distribution, commercialization and the promotion of the products already included in the organization’ list of fabrication.

The preliminary evaluation of the market, to find out registered trends, both on the technical and commercial plan, is a very good starting point to identify the new appeared opportunities and to the generating of the new ideas. The study of the products made by competing organizations is fully necessary, as well as the comparing with own products, especially regarding some relevant performances for the customers (example the benchmarking – very useful in this intercession), offering numerous new ideas, meant to improve own products, to increase their attraction, or even to lead to the introduction of new products in the company’s own list of fabrication.

The side marketing, used more and more, both for large organizations and small and medium organizations, offers a alternative to classic vertical marketing, and it developed based on the studies made by Edward de Bono in the field creative thinking and especially to the side thinking, it requires the manifestation of the creativity to identify new applications or markets for the existent products. This new marketing close-up view proposes to realise new connections in the effort of identifying alternative applications and markets, instead of repetitively fragmentation of the market in smaller and smaller segments and the development of products adapted to these very small homogeneous groups. Consequently, the side marketing process is developed in three stages:

a. The choosing of the method object, which can be: the market, the product or the marketing mix level definition;

b. The produce of a sideways movement to create a distance from the processes of thinking (through six strategies proposed by Bruno: substitution, inversion, combination, exaggeration, elimination rearrangement.

c. Generating new ideas to cover this distance.

The collective and individual efforts for generating new ideas must be systematically and not random, they can be amplified by using many techniques to stimulate the creativity (starting from the classical brainstorming, with its various forms, including the electronically version, the discoveries matrix etc), most of the times being necessary a collaboration between specialists from different departments and even the construction of some permanent organizational forms, with specific tasks in this field (mixed conception collectives, comities for new products etc).

In the case of special order products, of some goods of productive utilization, such as machines, installations or complex machines, so called “at the theme”, very important is the collaboration with the customer on the entire period of conception, projecting, production and even usage of it. The generating of ideas, the selection, the perfection and their development can be realised with the participation of the final customer or his representing person, his suggestions, requirements and desires being fully satisfied, in a much shorter period of time and with lower costs.

2. The 2nd stage includes selecting a number of ideas which are to undergo of a much deeper evaluation to establish the technical and commercial perspectives of development, is a necessary and important process, meant orientate the efforts to some certain directions, established by the innovation

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strategy at the level of the organization. The ideas which weren’t selected in this stage, mustn’t be completely abandoned, they can be kept because they are a valuable source, which can be seized in other circumstances.

It is sure that the selection is a complex process which must be developed accordingly to some well established procedures and to a set of objective criteria which are appropriate to the organizational objectives given by the innovation strategy.

3. The 3rd stage consists in the transformation of the ideas into new products concepts and it is essential to be able to test their validity. The distance between the new ideas to a new product concept is quite difficult and it means, next to the other numerous knowledge, abilities and a high creativity from the evolved personnel. For the start can be used many more versions of products and not a unique concept, because the product’s specifications weren’t established with accuracy, being in the testing phase.

The testing of the product concept can be made in a discussion group formed by a small number of potential consumers, to which are presented alternative concepts, sometime accompanied by a model in the discussions with them, it is followed the acceptability degree, the benefits, the customers reactions, their perception, the observed advantages by them on the existent products etc.

The testing of the concept of one product has much credible results only if the specified concept can be made real for the consumers and it looks closer to the specified product or service.

Creativity is required at this stage also to find new faster and much efficient methods of testing of the product concept, which to ensure, in a much shorter time and with lower costs, prototypes which are presented to the consumers to register their reactions and comments, we can exemplify the three-dimensional printing or stereolithography to create three-dimensional plastic models of some physical items with the three-dimensional help on computers and the laser techniques, but also the usage of the “virtual reality” which allows, with the help of the computer, the stimulation of the product and human interactions with it.

The preliminary marketing evaluation, regarding the success for the new product concept, looks especially to the aspects connected to the predictable volume of the market, the target segment, as well as the position of the product (which involves also the establishing of one directory line regarding the characteristics of the product, quality, and the indicative price range, the performance targets from the competition). These product characteristics are used as the primary specification of the product, being a guideline for the ulterior product development activity.

For the selection of the new products concepts, reliable from the economical and technical point of view, a series of estimations are being developed, both at the technical compartments, also financial and marketing compartment in the next stage of analyses.

4. The commercial analyses of the product ideas, is realised throughout financial reports containing sales estimations, investments necessary, functional costs and expenditures, the planned profit but also the period of the investment recovery, the product life time, direct and indirect costs, the price calculation and the break even.

5. The preliminary technical analyses must establish if the product is feasible technically speaking, the level of concordance with the technological potential of the company and its evolution, development, integration and adoption of new technologies possibilities.

After these complex analyses, it is established if the next stage of development of the product can be started, or the concept must wait to accomplish all the technical and economical conditions, necessary to the market success.

It is obvious that the stage of generating new ideas should not be random, but it should be developed in a continuous and systematic mode to be able to offer a permanent flux of ideas to the other stages, and the selection of the best ideas that will be developed is essential, the decisional process needing a rigorous substantiation, the evaluation and the classification of the projects that will be developed must be made according to predetermined procedures and criteria.

For some new products, from the scientifically sectors, such as medicine industry, the stages of development are very long and can include the basic and applied research, laboratory and clinical stages, and in the high-tech industries the development of these products is a complex one, very risky and expensive, fact that needs the adoption of some specific forms of organization, meant to insure the planning, coordination and control of the efforts and allocated resources to this stage.

The success launching of a brand new product on the market insures to the organization, for a limited period of time, special competitive advantages, high incomes, a high profit and the conquering of a considerable market. As the introduction of competition

(Dissemination of new technologies or products that were protected by the monopoly or license) the incomes decrease and the company must modify the policy of the price, distribution and to further develop the product, the keeping of the conquered market range will need sustained efforts of innovation, the finding of new ways to differentiate the cost or quality.

The differentiate through costs is the method most frequently applied and it means the reducing of the specific consumptions, the simplify or find new manufacturing methods, very good mastery of the
technological processes involved for the use of experience, increased labour productivity but also reduce the cost of distribution and commercialization of the products, marketing etc. Innovation is a key element of reducing costs, whether it is a new or improved product (in which case can take place an increased demand that will allow the organization to better exploit scale effect), whether the innovation refers to technological processes of production (which may increase productivity, reduce consumption and promote the effect of experience.

2. Innovation process

Innovation process is another field of expression of creativity, which is particularly important, both by affecting the competitiveness and efficiency within the organization and the effects on the development branch as a whole, as the phenomenon of diffusion.

Both technology and its production in the research and development are often considered as a homogeneous entity, which does not allow disclosure of their complexity and specific influence factors. A new technology is usually a collaborative effort of more participants, whether we refer to private organizations, research institutes, state and private universities that provide generation, development, implementation and diffusion.

Thus, for a more detailed analysis of how to create the technology to determine the role played by each participant in this process, and appropriate incentives must distinguish between scientific and technological research and defined the basic components of technology.

Any technology industry can be described by three major elements: basic or fundamental technology (general), technology applied, derived from the generic set of infratechnologies which facilitates the development and use of the first two.

Generic technology ensures the validity of the concept and reduces risks in order to invest in applied research and with infratechnologies are property cvasipublics.

Infratechnology includes research tools (methods of testing and measuring), scientific and technical data, and technical basis for standards, quality control techniques, often implemented as industry standards. Both the generic technology and are designed and developed infratechnology competitive organizations but risks are often mitigated through public investments designed to increase their uptake of research and developed in industrialized countries.

Although property rights are possible, fearing a market failure or process dissemination of these technologies is by nature often does not stimulate private investment in research and development of industrial technologies. To reduce these risks and stimulate technical and scientific progress, the developed industrialized countries financially support research and development (held in public laboratories, universities or other research institutions) to create these.

Improving manufacturing technology to increase operational performance, ease of use, reducing operating and maintenance costs, increased reliability and life time, the compatibility of products.

In the present period shows a shorter life cycle of each technology and increased incidence of November, a new technology often occurs before the house was to be the complete period of maturity and saturation and, not infrequently times, even during growth. Shortening life obliges the company to use their technologies with maximum efficiency, in order to recover in a short period of time, costs are very high. Increase in frequency of occurrence and high costs of new technology led many organizations to make use of scientific-technical cooperation with other organizations profile, research institutes, institutions of higher education, etc., order to ensure that resources and activities very costly to mitigate risks.

Creativity of researchers and other specialists within the organization behind the creation and development of revolutionary technologies involving deep changes in production methods but also on the efficiency and profitability of those applying for the first time these major innovations. Revolutionary breakthroughs in technology to ensure the company holding a strong position in the market for a certain period of time, additional revenue and higher profits through product differentiation, which increases its attraction.

Often technologies from an auxiliary flow or logistics may prove decisive in the acquisition of more powers in advance to ensure appropriate market.

Technologies in the manufacturing process to interfere with a host of other technologies within the organization aimed at carrying out other than those directly productive activities (design, finance and accounting. Provisioning, traffic information, etc.). All these technologies must in turn be the subject to improvement, modernization and renewal in order to ensure competitive standing organization.

Managers of economic organizations to anticipate and seek to solve future problems, to find ways of solving them, to improve their way of exercising the function of forecast.

Training staff in accomplishing the tasks of production and its active participation in finding successful solutions to ensure efficiency, is wide field managers show creativity in finding those ways to motivate and create a stimulating environment for communication at all levels.
3. Creativity, essential characteristic of management in business

Creativity is a very broad scope of event, subject or made him any area of human activity. Research has shown the need to develop creative potential of people in general and particularly managers.

Creative manager is one who may, by general and specialist training, the background knowledge available to coordinate and lead the other categories of resources of the organization, to address a wide diversity of creative problems.

Predominantly intellectual nature of creativity in management will be highlighted in the following, by presenting the role the manager plays in the creative organization.

In the literature, the study of creativity in management problems in shifting emphasis on decision-making process on resolving problems, using methods and techniques to stimulate creativity. Regarding subsystem organizational creativity is manifested in the organization staff standing by developing new solutions in the pattern of processes taking place in the organization, the correlation with the objectives, the use of new methods, techniques and tools to help achieve objectives efficiently. Also, staff with creative potential can be used to generate new ideas and solutions for the activities carried. Develop creative strategies for management, with a high degree of applicability, involve and create the climate that encourages creative behaviour of members of the organization.

In order to increase creative side management in Romanian organizations, action is required in the following areas: promotion and familiarizing staff and managers, the concepts of creativity, expansion of management concerns to identify creative employees and establishment of creative groups to participate in the settlement organization problems, creating a psycho-social climate for creativity to encourage creative expression of people; even some creative groups, interdisciplinary organization to participate in solving problems.

Thus, management organization must have a catalytic role in the organization, in order to promote, identify, stimulate and reward creative individuals who contribute to the objectives of the organization to streamline its.

To support managers in carrying out their tasks, the literature was shaped a creative management model, which involves an emphasis on the creative side management in problem-solving process change. This model emphasizes that creative groups formed in the organization must recognize and accept change. When they refer not change, will react to its occurrence.

In order to increase creative side management in Romanian organizations, it must conduct a process that involves: creating a favourable climate for change, promoting creativity. Creative ideas that can lead to change, from both inside and outside the organization. Both the organization members and customers or suppliers can become sources of ideas that can generate the acquisition competitive advantage.

The main stages of creating a favourable climate for creativity are:

a. Preparing staff for the acquisition of attitudes favourable implementation of the new by: encouraging subordinates to find new solutions to problems that concern their own activities, encouraging group members to freely express their ideas through the creation of subgroups in which, to be able discuss their business problems and possible solutions, encouraging communication between customers, suppliers and employees, known as the most suitable suppliers that ideas are customers; encouraging even failures, from the idea that most times, through successive tests increase the chances of success, to introduce a system to reward creative personnel, recruitment, hiring and promotion of creative individuals for management positions, starting from the premise that they can properly assess the value of ideas and creative people can behave properly, creating optimal conditions for employees with ideas for experimentation. In creating this favourable climate of creativity, the behaviour of managers has a major impact in shaping values and beliefs of staff.

b. Constitution and the optimal dimensions of creative groups. The superiority of group creativity to individual creativity is recognized by specialists, mainly, the group brings together the creative potential of all members, it recovered and amplified.

In the process of organization and functioning of business groups is a series of creative aspects to be taken to, namely: a clear indication of the purpose for which formed group, which requires the establishment of group structure, the criterion heterogeneity in training, experience or after homogeneity criterion psychosocial characteristics, establish a hierarchy of roles and positions in the creative group, specifying the degree of involvement of members of the creative and encouraging full involvement of

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1 Proctor T., Elemente de creativitate managerială, Editura Teora, București, 2000, pg. 49
5 Mihuț T., Anto conducere și Creativitate, Editura Dacia, Cluj-Napoca, 1989, pg. 114
members in joint action to address the problems of the organization, establishing a high degree of independence, autonomy to the group be creative to hold to the organization, definition of the main ways of communication within the group and the organization, ensuring a climate that promotes and encourages creative people. This environment should give a sense of safety and freedom of action.

Compliance issues presented above can enhance the creative side of management, may generate increased problem-solving process change using creative methods and techniques, which exploit the creative potential of employees.

Management organizations directly influenced the content and pace that it is the process of transition to market economy. Creativity, variety, flexibility, dynamism and efficiency are the basic attributes of competitive management organizations, and these fundamental attributes require a creative-innovative management type.

Creative Management - innovation requires a broad effort, qualified and convergent at the agents and the national economy. The implementation process of change by emphasizing the creative side management in Romanian organizations is a complex and lengthy. Employees of the Romanian organizations, accustomed to be told what to do at each step, will there will be a creative time.

Moreover, without proper motivation, they will not accept radical changes in organization of the organization. Efforts to ensure an exchange of information will face suspicion and resistance. Accordingly, it is difficult task managers to create the appropriate implementation of organizational change.

To emphasis the creative side management Romanian organizations, the main elements to be considered are1: the need for action, demand for action, the will for action, action tendency. These elements may have a logical concatenation when the need, the need for action and is subject to other. The need for action is generally a more dynamic element that reflects the real need to bring about changes and justifying the adoption of decisions and conduct a complex acting on them.

Period they go through the Romanian organizations, is characterized by a variety of changes to be made immediately. The interval between the time of the change and its actual outbreak is determined, first, the understanding of the need, the need to act. If an organization is objectively necessary change, which requires high efficiency, there is need for action. Such an attitude is justified by the possibility that some changes are accompanied by setbacks, or prevent such a need scientific substantiation decisions and operational managers to correct it.

As the initial phase of the creative process, the solution chosen should contain and to prefigure the wishes and aspirations of employees for the final phase, implementing creative managers have expressed the results of collaboration with subordinates, and the need for action is as real and necessary factor, which generates action in creative groups.

Demand for action is justified primarily by the need for affirmation and recognition of personal qualities, but with a determination and organizational and social. If there is a desire for change within the organization at all levels, then there is the desire for action.

One of the problems that arise is that of consistency between the wishes and aspirations of members of groups within the organization on the one hand, and objectives of its system on the other. If there is a conflict between them, conflicts occurs, lack of interest, passivity, inefficient and wasteful of resources shares. To overcome the effects of varied reasons listed is required, corresponding to all those involved in the process.

Will the action is considered as the main character trait of organization members and managers first, to mobilize efforts for achieving personal and general. Will the action has positive character when it is subject to the need, real need for action and is very closely linked to demand for action, they conditioned each other.

Between these elements there is a continuous and mutual influence. Romanian organizations, taking into account these elements, it is necessary to trigger the process of change, by emphasizing the creative side management, by exploiting the creative potential of all members of the organization.

The main ways of implementing the change may be ways of general:

1. Achieving a favourable climate for creativity through: training employees to obtain favourable attitudes change, encouraging subordinates to find new solutions, non-standard organizational issues, encouraging group members to freely express ideas and exchange information, encourage dialogue between customers, suppliers and their employees, promoting cooperative relations among all members of the organization, reduce and even eliminate the distance gradually; organizing technical symposia offers knowledge products and technologies still in research phase. This enables both researchers and vendors to share ideas about new products and possibilities of application and examination of lectures on cutting-edge technologies etc.

2. Creating favourable working conditions for people with creative potential, for testing the proposed solutions. Higher level managers have the opportunity to support the operationalization of such ways: providing space and material resources required at different stages of the creative process, ensuring financial resources are experimenting.

1 Nicolescu O., Georgescu I., Management şi Marketing, Colecția Metode, Tehnici, Instrumente, Tribuna Economică, București, 1992, pg. 43
3. Diversifying ways of integrating the individual within the creative group. An increasingly important role in the creative side management and operationalization of the ways it has, which could be achieved through: effective participation of employees in organizing its work, developing relations of cooperation between members of the organization, fostering a sense of belonging to an organization in which the dignity and professionalism they are recognized, the organization of recreational activities.

4. Granting a high degree of freedom of thought, expression and action. Managers at all hierarchical levels must practice driving style to allow expression of the human factor by stimulating the formulation of solutions. The penalty would result in failure to limit creativity.

5. Formation of complex creative groups and / or the functional teams within the organization, according to criteria of size, heterogeneity, stratification, degree of participation, polarization, etc.. It is important and necessary that managers and higher level of organization to seek to attract people with creative potential and sense of initiative, dynamic groups to coordinate the creativity.

6. Education in the creative group. Managers from all hierarchical levels are able to stimulate: the transfer of knowledge from the creative activity of their members, transfer of knowledge from the outside.

Methods of implementing change with specific character:
1. Transforming innovation into an important element in creating the organizational environment to provide members of the motivation of fighting objectives. Higher level managers can support operational by establishing strategic objectives with innovative character, the possible strategies and resources and time required to implement.
2. Development of strategies and policies dynamic, flexible.
3. Promotion of flexible organizational structures. The establishment of functional divisions and project teams. Higher level managers can support these mutations.
4. Formation of a Technical Council at the organization and appointment of responsible research in various production departments. Through a complex process analysis and redesign of organizational structure, top-level managers, may contribute to increased management and creative side by making such shifts in the organizational structure of the organization.
5. Create groups of compartments intercompartmental and psychosocial by: bringing together under a section of creative people involved in solving problems faced by managers located on different hierarchical levels, cooptation of specialists in psychology and sociology to guide professional human resources of the organization.
6. Setting up testing laboratories of ideas.
7. Creating a diversified and flexible information system by: diversification of means of receiving and disseminating information quickly required creative processes, establishment of formal and informal networks of information exchange, establishment of data banks that store information and allow more rapid access users thereof.
8. Expanding the use of methods and techniques of creativity. Managers throughout the organization must be concerned about the holding of meetings of creativity to base the choice decision, the optimum choice of the criteria underlying the assessment of management decisions (Brainstorm, Delbecq, morphological analysis, Sinectica).
9. Selection, hiring and promoting people with leadership. Human resources managers can operate through: the use of testing for psycho diagnoses new employees, introducing a differentiated reward system. All these methods of general and specific action may constitute elements of a new strategy, the emphasis on the creative side of management organization to become a reality and Romanian organizations.

3.1. Ways to increase efficiency through increased romanian Creative side management

Increased efficiency is one of the fundamental goals of any organization. Achieving this will be possible if organizations managers will understand the need to adapt to change. Evolution in a turbulent environment requires increasingly creative side management. This means profound changes in the approach to organizational problems in performance management, management style practiced by manager’s at all hierarchical levels.

Next, we present several ways to increase efficiency organization, as a result of widening the creative side of management1:
1. Moving swiftly to restructure management, which depends on the skill and professionalism of creative managers? This has to correct the failures of leadership organizations aimed at increasing economic performance, due to the completion of contracts management. In this process, creative managers have a particularly important and increasingly creative side management becomes a necessity.
2. Minimizing the routine activities that take place within the organization and increasing the share of creative activities. Ability, insight and originality allow managers to detect problems and to invent ways to address them, in order to increase organizational efficiency. Creative managers should not expect problems

1 Kauffmann A., Aluja J., Lafuente M., Creativitatea în managementul organizațiilor, Editura AIT Laboratories, București,1995, pg. 97
to occur but, in time to discover and solve. Managers who have a systemic thinking, based on logical reasoning, the correlations between activities taking place within the organization and performance management, are those who will not expect problems to occur but, in time to discover and solve. Managers who have a systemic thinking, based on logical reasoning, the correlations between activities taking place within the organization and performance management, are those who will positively influence organizational effectiveness.

3. The introduction of changes in exercising foresight, the conditions applying in practice the creative side of management, may lead to increased organizational effectiveness, where members will be concerned with the management team to develop realistic plans, to be based on realistic information about the market, possibilities of the organization, in terms of resources. Creative managers who can ensure that structures flexibility enabling activities with maximum efficiency.

4. The introduction of changes in exercise-training function, in terms of management emphasis creative side.

The ways of improving efficiency Romanian organizations, following exercise coordinating, creative side widening under management, note: the introduction of modern means used for the movement and transmission of information and extend forms of direct communication with employees and subordinates to adapt continuously adapt to the particular contributor or subordinate manager. For this adaptation, it is necessary to know the characteristics of employees. Therefore, it requires the need for a diagnosis of human resources to enable flexible adoption behaviour from managers located on different hierarchical levels within the organization.

Manager creatively adapt its behaviour accordingly peculiarities of human resources which cooperate with and inform staff on the system of rewards and sanctions to be applied according to the result obtained. Amplification degree of responsiveness of managers to the new is one of the main ways to better streamline organizational activities. Successful managers, who are aware of the permanence of change, must be receptive to new, they understand that the time and how to promote new, depends on the effectiveness of the organization today, especially in the future.

Adapting to a market economy Romanian organizations involved profound changes in their management. It was considered that an important shift that must occur is the transition to a new type of management, creative, innovative. The need to innovate, to create “new” management, each organization involved in the Romanian adoption of innovative strategies, aimed at promoting new to achieve efficiency.

A key objective of managers should be made to identify and assimilate new elements in all fields of activities, addressing an open mind to proposals for change.

Today, organizations face many complex and diverse problems that will be addressed by managers with a high level of expertise or general intelligence, insight, logical reasoning ability, flexibility in thinking and action. These attributes actually describe the profile of a new type manager, creative, innovative, responsive to problems and change.

The Romanian organizations should start and continue the process of changing, a process of high complexity, in which managers and not only remain responsible for the implementation of change. The main role within such process has creativity, but also the ability of the managers and other employees to implement the change just by emphasizing the creative side of management. As P. Drucker said, innovation in management allows discovering the solutions to the most complex organizational problems.

The high complexity of the problems that Romanian organizations are facing today, will determine the managers of these organizations to organize creative groups and a management team, to turn increasingly to the consultations in creative management.

Emphasizing the creative side of management involves first of all the amplification of its scientific nature, as Romanian management is dominated by empiricism, managers leading organizations only on the experience, talent and age they have in the organization.

Change in the Romanian organizations can be achieved in the conditions of highlighting creative side of the management, which actually, means promotion in executive positions of the managers with creative-innovative potential, very best specialists in the organization's object of activity, management and also in the psycho and social sector.

Beyond these general issues, the Romanian organizations shall include in their plan a series of actions, among which we mention:

- The implementation of a new type of management, creative, innovative, in which both process and management relationships to have a strong innovative determination;
- transition from empirical management to scientific management, which requires a highly creative nature due to the specificity of management situations; emphasizing of the participatory nature of the management by using methods and methods for stimulating creativity within the creative groups (logical approaches - convergence: functional analysis, morphological analysis, graphical analysis, heuristic methods

1Drucker P. Inovaţia şi sistemul antreprenorial, Editura Enciclopedică, Colecţia Bibliotecii Băncii Naţionale, Bucureşti, 1993, pg. 81
- divergent: morphological method, the findings matrix; imaginative methods: brainstorming, creative book method, Phillips 66 technique, technology of quoting ideas during sleep;
- Development of strategies and management policies with a highly creative, innovative character;
- increasing of the flexibility of the organizational structure;
- emphasizing of the creative side of management which allows continuous adaptation of the organizational chart, job descriptions and other documents, formalizing the structure of the transition requirements;
- amplification of the importance granted to the methods and techniques by which the creativity is promoted and stimulated within the decision-making process, particularly for underlain the decisional options, strategic decision-making process, emphasizing innovative nature of the processes of collecting, recording, processing and transmitting information, utilisation by the managers of a range of diverse instruments, tailored to specific problems to be solved.

It is noticed that by taking into consideration of such priorities would be possible to emphase more the creative side of the management by putting the bases of the implementation of a new type of management, the management of creativity.

3.2. Leadership involvement in promoting the creativity

The interconnectivity „creativity – leadership“ can be defined as¹: development of a creative activity depends on how people are oriented and how their work is conducted. In turn, effective leadership requires utilization of the creative skills of the participants in the act of leadership in establishing and achieving its objectives, either they are managers, specialists outside the organization or employees.

Effective leadership can be assured only through the implementation and development of all capabilities and creative skills of a human being, through approaching new and old problems in a managing and „go-ahead“ spirit.

To meet this requirement, it is necessary to remove conformist mentality, the routine and convenience, the bureaucracy in leadership. Meanwhile, the manager should be formed for the purposes of cultivating the creativity, of introduction of the „new“ in leadership in all fields of activity.

Effective leadership in terms of the contemporary society requires manifestation of the innovation capacity in all its sides and levels. Practically, every aspect of the managerial work involves creative thinking.

Thus, in diagnosing the situations and management issues, in running the operation systems, in planning and decision, in setting goals, in achievement of the organizational structures, in testing management methods and ways of living proper to a democratic society and market economy, in other words, in the whole process of management must be shown the creative skills, the initiative of the people, especially of the managers.

However, the initiative of the managers is particularly necessary in solving social and economic contradictions and problems, in setting policy and strategy in the economic, technical, scientific and cultural sector, in solving concrete issues the organizations are dealing with.

At a deeper analysis, creativity in leadership appears dependent on the following major factors²:

1. Practical application of general principles of management of the economy and society. In this respect, history and social – political experience shows with sufficient evidence the linkage between the social creativity and how are applied the values and principles of the democratic pluralism, decentralization and democratization of the management. What this experience shows is that real autonomy, interdependence of participants and discretion are necessary conditions for the manifestation of social creativity. Creativity of employees at all hierarchical levels is revealed to be very low in terms of rigid structures and some practical reasons.

The principle of participation in management, in responsibility, but also in benefits is a form of leadership more creative than authoritarian-bureaucratic leadership. Applying this principle draws within the social creativity a significant part of management personnel and workers, creating the possibility of operative adapting of the organizations in the current pace of change.

Likewise, the principle of work motivation, moral and material stimulation in a different manner, depending on the contribution of each person to the objectives and tasks, has an important impact on promoting, fostering and harnessing creativity.

Linked to the leadership principles, creativity management put on a master plan, the issue of the management style. This should also highlight the personal style in which a group is led starting from the idea of a creative applying of the general principles of management, understanding that only copy what others do, only lead mechanically after foreign models, irrespective of actual conditions, means to lose a great opportunity for creativity.

2. Correlated with the first factor is the degree of functionality and adaptability of organizational structures, of management and business plans, programs and projects. In addition to the rigor and discipline, planning and organization require operability, flexibility, adaptation to change and assimilation initiative.

Organizational structures and work methods that must be designed as to enable and encourage the spirit of creativity, promote new, higher turning the creative potential of people. Although utilization of creative potential is determined, however, it depends largely on methods of working with people, also depends on a range of social and personal factors, which may be influenced.

The question that arises to create and use those methods of management and organizational structures through which to better explicated the human resource of creation. The personality of the manager is a factor that cannot be neglected in stimulating creativity. Providing management with competent and responsible people is one of the most important conditions of a effective and creative leadership.

All methods and organizational structures remain without positive effects if not applied, if not put into operation by the management organization. The climate of creativity in an organization reflects the personality of its managers and their style of work.

3. Special implications on Creativity in leadership have personal style of leadership and working methods. Management style has both a direct influence on stimulating creativity and indirectly, through working climate that fosters it. Thus, management style characterized by open communication between managers and employees must achieve consistency between forms of management and the requirements of social life, by knowing people, by their education and integration in participation in management and issues solutioning. This is the style with the greatest capacity for the exploitation of creative resources, initiative and innovation skills. In contrast to this mode of leadership, authoritarian and bureaucratic styles are few creative.

An authoritarian style determines a bad mood and a low spirit of colleagues and subordinates, distrust in certain values such as fairness or ability to deliver ideas. Authoritarian style is correlated with poor labour productivity creative.

In organizations where managers practice a participative management style, proactive, employee morale is high because of confidence in the value of work and its ability to deliver ideas, open and critical attitude, practical communication, hence a wide availability for creativity and innovation.

Report between leadership and creativity can be analyzed in terms of the proportions in which creativity is present in the management, in its various moments, but also in terms of leadership influence on promoting and stimulating the creative abilities of employees.

A condition of the management efficiency is a responsive and responsible attitude to support the „new”. To the process of social creativity, management has three functions as follows: to promote, orientate the research and search, to mobilize the creative effort, screening or filtering function of the new, for the purpose of application or generalization, respectively the function to exploitation the ideas.

The function of promotion, guidance and targeting of the social creativity is to determine the concrete possibilities of choice, directions and creative outlets for concrete effort.

Management it is the task of identifying objectives and action lines of creative fulfilment of which will ensure social progress. This function must be exercised at the top level of management system as the research and creative activity must be part of the general plan of the organization.

The structure of operations related to creation and innovation, generally includes two types of organizational solutions: some related to cooperation, others related to the field of internal organization.

To perform the promotion of creativity, the manager must cooperate with other research and creation units, for example, in the form of talks, discussions, provision of information (ideas, innovation, application and implementation issues) and receiving of information (research results, consultations, etc.).

Along with the initiation and terms, management should provide organizational solutions to normal develop the organization, during the completion of new actions, of creation, in other words, to avoid disruption of routine processes within the organization.

The second function, to mobilize the creative effort, requires setting goals, preparing programs, projects and strategies for action. Involvement in the creativity of employees is an activity requires coordination and attracts them towards the creation and application of new ideas. Management must promote and create an organized frame to settle the proposals from within the organization, and must present the issues raised and their possible solution in the phase of valorification of the research results.

In turning creativity of employees, particular importance is the management function, respectively the new promoter function. The main problem to be answered by the office of recovery of new ideas is to decide upon the practical modality an innovation project could be initiated and implemented effectively within the organization.

To achieve this function to promote and exploit new ideas, management will need to begin a series of actions, including:

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1 Popescu Stere Gh., Creativitate, participare și motivare în managementul organizațiilor industriale, Editura Inid, București, 1993, pg. 135
- determining the resources and developing an implementation plan with deadlines, means developing the calendar plan and plans for financial resources, personnel and technical resources required;
- removal of resistances, the barriers to turning ideas into practice and resolve conflicts that may arise;
- control program performance and results.

As a function not only individual but also the social environment, creativity can be affected within the meaning of stimulating or blocking of a number of social, inter-individual such as value systems, organizational behaviour, relationships between people, management style, forms of work organization, etc. The role of the management and recovery occurs when the positive statements creative activity. This lays the technical and material, necessary organizational creative activity. Training creative climate in organizations means the creation of a permanent condition placed on a creative activity.

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Study Regarding the Culture of Large Organizations from Romania in the End of 2008

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Abstract: The objective of our research is identifying elements of organizational culture in Romania, in 2008, year which meant for Romania the end of economic growth cycle which had begun in 2000. In order to underline these aspects related to cultural values, employee - employer labour relation we have conducted sociological research, at the end of 2008 (October – December), against the background of the beginning of an economic and financial global crisis and after almost two years since Romania’s integration in the European Union. We have included in our sample 40 large organizations, with over 1,000 employees each and with an economic activity of national importance.

1. Introduction

The culture of organizations represents a management subject which always focuses the specialists’ attention on new and interesting aspects. The members of organizations come from different social backgrounds, with ideas, feelings and personal attitudes which are shared, enriched or replaced within groups. These combinations result in beliefs, values and behaviours which lead to adopting norms and rules of configuration as regards organizational culture.

Together with the evolution of humankind there have been inevitable changes and continual adjustments of the organizational culture. These aspects draw the managers’ attention to new perspectives which require changes in the employees’ process of involvement in accomplishing their mission and the objectives taken on by the managers with regard to the owners of the company assets.

The year 2008 meant for Romania the end of the last phase of economic growth which started in 2000. At the same time, it witnessed the signs marking the beginning of a new period of financial and economic crisis with different social implications. Under these circumstances, the first symptoms are visible in large organizations and are then transmitted to medium-sized and small organizations.

The approaching of a sociological research as regards the tendencies visible at the level of large organizations in contexts of unfavourable change in the factors of economic and social background is of great importance to both managers and public authorities. These introductory arguments justify the actuality as well as the interest in the conducted study.

2. Data regarding the research sample

The research was conducted in the latter part of 2008 on a sample made up of 40 large organizations, with over 1,000 employees each, with economic activities of national importance. It involved 1,400 persons, of different professions and holding different positions, with years of service and work experience, respecting the gender ratio (female-male), according to the staff structure in each firm and to the
structure of employees at a national level, of 52% women and 48% men. 84% of the interviewed persons were over 30 years old (fig. 1), 90% of whom having a length of service of over 3 years (fig. 2) and 80% having a length of service in the organization of over 3 years (fig. 3). The information was gathered on the basis of a survey filled in anonymously.

The first conclusion regarding the organizations included in the research sample is related to the stability of employees within the same firm. The persons with a length of service in the same organization ranging between 1 and 3 years and those with a length of service ranging between 10 and 20 have the lowest fluctuation, whereas the youngsters with a maximum three-year length of service and the persons with experience and a twenty-year length of service have the greatest mobility (fig. 2 and fig. 3). We can say that the employees with a length of service between 1 and 3 years and between 10 and 20 years, respectively, have the greatest influence on the organizational culture in the cases under discussion.

Fig.1. The age of the interviewed persons

Fig.2. Length of service of the interviewed persons
3. The evaluation of research results

The first aspect taken into account while conducting the study refers to prioritising the cultural values specific to large companies. A set of 15 values was analysed: punctuality at work, participation in decision making, equality of chances for both men and women as regards career promotion, participation in the creativity and innovation processes, the importance of moral qualities, management democratization human solidarity, employee autonomy at the workplace, meeting deadlines, self-improvement, discipline, taking responsibility in accomplishing tasks, getting involved in forming opinions regarding the future of the organization, commitment.
In figure 4 we can notice that the most appreciated values are commitment, responsibility and discipline in work whereas autonomy, democracy and equality of chances are ranked among the last. People take on and, to a great extent, develop the values regarding discipline and accomplishing tasks at the workplace, accepting the managers’ authority and giving up on the equality of chances, autonomy and democracy.

Another aspect also regarding the non-visible part of the culture of organization refers to prioritising the customs passed on informally among the members of the organization from one generation to the next. In this way, the following unwritten norms have been tested: good relations with the managers, the appreciation of the activity performed by the other colleagues in the organization, maintaining good relations with the colleagues, considering the organization as a second family, taking on risks or accepting the managers’ precise instructions, perceiving perfect agreement between what both leaders and colleagues say and do, the involvement of the organization in the employees’ professional self-improvement, the leaders’ openness to the suggestions of the organization members, accepting divergent opinions from colleagues, the freedom of action in creativity and innovation, the family’s agreement and support to the organization, encouraging individual opinions.

As we can notice from figure 5, the most appreciated customs or habits refer to having good relations with both one’s colleagues and with the managing staff. There is a medium level of appreciation for the leader’s openness to the suggestions of the organization and for the acceptance of divergent opinions from the members of the organization. The least appreciated customs are the incongruity between words and deeds as regards both the colleagues in the organization and the leaders, which results in a state of
general lack of trust in people. Neither the family’s support to the organization nor the organization as a family enjoys too much popularity.

In table 1 we have a presentation of the results of evaluations regarding the visible elements of the culture of the organizations under study. The analysis of the data leads to the conclusion that people consider that the most important visible elements of the organization refer to the respect shown to partners (clients, suppliers and banks), to respecting legitimacy (corporate governance) as well as knowing and respecting the formal rules established by the firm. Medium importance is given to real estate symbols (buildings, lands, parking lots), to order and the aspect of indoor and outdoor spaces, to mass-media advertising, to beliefs and values reflected in the employees’ behaviour, to credible perspectives offered to employees by the employer as well as to technical symbols created by the organization (technological means, inventions, products, licences etc.). The least important elements are the stories and the legends regarding the members of the organization as well as the popularity or the fame of the firm’s founders and managers.

The importance of visible cultural elements

<table>
<thead>
<tr>
<th>Visible elements of organization’s culture</th>
<th>Without importance</th>
<th>Low importance</th>
<th>Medium importance</th>
<th>High importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The popularity and the fame of the firm’s founders</td>
<td>24,5%</td>
<td>36,5%</td>
<td>26,8%</td>
<td>12,2%</td>
</tr>
<tr>
<td>Real estate symbols (buildings, terrains, parking etc.)</td>
<td>9,8%</td>
<td>26,2%</td>
<td>48,3%</td>
<td>15,7%</td>
</tr>
<tr>
<td>The order and the aspect of inside and outside spacing</td>
<td>2,8%</td>
<td>8,2%</td>
<td>41,5%</td>
<td>47,5%</td>
</tr>
<tr>
<td>Advertising (TV, radio, press, brochures, leaflets, etc.)</td>
<td>3,1%</td>
<td>13,5%</td>
<td>34,2%</td>
<td>49,2%</td>
</tr>
<tr>
<td>Rituals and ceremonies organized by the firm</td>
<td>21,9%</td>
<td>35,4%</td>
<td>33,7%</td>
<td>9%</td>
</tr>
<tr>
<td>Beliefs and values reflected in the employees’ behaviour</td>
<td>8,9%</td>
<td>18,8%</td>
<td>36,6%</td>
<td>35,7%</td>
</tr>
<tr>
<td>Knowledge and observance of the norms set by the hiring firm</td>
<td>3%</td>
<td>7,3%</td>
<td>26,6%</td>
<td>63,1%</td>
</tr>
<tr>
<td>The basic conceptions of the organization managers</td>
<td>6,5%</td>
<td>14,6%</td>
<td>33%</td>
<td>45,9%</td>
</tr>
<tr>
<td>The respect for partners (clients, suppliers, banks)</td>
<td>3,6%</td>
<td>3,3%</td>
<td>8,8%</td>
<td>84,3%</td>
</tr>
<tr>
<td>The popularity and the repute of managers</td>
<td>11,3%</td>
<td>22,3%</td>
<td>31,4%</td>
<td>35%</td>
</tr>
<tr>
<td>Technical symbols (technological means, inventions, products, licences etc.)</td>
<td>2,3%</td>
<td>9,4%</td>
<td>30,8%</td>
<td>57,5%</td>
</tr>
<tr>
<td>The web page of the firm or organization</td>
<td>2%</td>
<td>8,5%</td>
<td>38%</td>
<td>51,5%</td>
</tr>
<tr>
<td>Mass-media publications (notifications, reports etc.)</td>
<td>5,8%</td>
<td>15,9%</td>
<td>34%</td>
<td>44,3%</td>
</tr>
<tr>
<td>The stories and the legends about the organizations’ members</td>
<td>26,1%</td>
<td>30,2%</td>
<td>30,1%</td>
<td>13,6%</td>
</tr>
<tr>
<td>Legality observance (corporate governance)</td>
<td>2,1%</td>
<td>3,4%</td>
<td>11,9%</td>
<td>82,6%</td>
</tr>
<tr>
<td>Credible perspectives offered to employees by the employer</td>
<td>1,1%</td>
<td>6,3%</td>
<td>25,4%</td>
<td>67,2%</td>
</tr>
</tbody>
</table>

An important role in the configuration and the evolution of the culture of the organization is played by the labour relations between employee and employer. In table 2 we have a presentation of the data regarding the situations which reflect the quality of these relations. The lack or the low frequency of some situations indicates a good labour relation. In this way we notice the lack of promotion and the discouragement of arrogance and of bureaucracy or of the humiliating and discriminating rituals among people. The same objective is aimed at by encouraging the employees’ initiative and by avoiding conservatism, by focusing on general objectives rather than on individual ones, by clearly formulating the internal norms of conduct and of functioning in the firm. There are also situations, frequent or not, which can lead to a degradation of labour relations. Some of these are: giving jobs without respecting the candidates’
intellectual ability, disrespecting the employees’ autonomy in choosing the manners of accomplishing their tasks, a relatively calm and protective atmosphere for those who do not accept competition.

### Aspects regarding the work relation employee - employer

**Table no. 2**

<table>
<thead>
<tr>
<th>Situations existent in the firm</th>
<th>Yes (%)</th>
<th>Frequently (%)</th>
<th>Rarely (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The work climate is tensioned and hard to tolerate</td>
<td>6,3%</td>
<td>13,5%</td>
<td>32,7%</td>
<td>47,5%</td>
</tr>
<tr>
<td>The personnel fluctuation is fairly high</td>
<td>16,4%</td>
<td>19,7%</td>
<td>28,4%</td>
<td>35,5%</td>
</tr>
<tr>
<td>The values and norms are clear, written, formal in tone and inflexible</td>
<td>36,3%</td>
<td>27,8%</td>
<td>20,8%</td>
<td>15,1%</td>
</tr>
<tr>
<td>The work climate is relatively calm and protective for the persons who accept competition with difficulty</td>
<td>19,5%</td>
<td>29,6%</td>
<td>28,2%</td>
<td>22,7%</td>
</tr>
<tr>
<td>The integration ceremonies are frequent</td>
<td>10,9%</td>
<td>16,4%</td>
<td>25,7%</td>
<td>47%</td>
</tr>
<tr>
<td>There is autonomy regarding the choosing of task accomplishment</td>
<td>22,7%</td>
<td>33,5%</td>
<td>26,3%</td>
<td>17,5%</td>
</tr>
<tr>
<td>The employees show indifference to organization</td>
<td>6,3%</td>
<td>16,6%</td>
<td>31,1%</td>
<td>46%</td>
</tr>
<tr>
<td>The management promotes conservatism and ignores any suggestion from the employees</td>
<td>10,2%</td>
<td>16,1%</td>
<td>25,2%</td>
<td>48,5%</td>
</tr>
<tr>
<td>The work posts are filled based on the intellectual potential of each candidate</td>
<td>36,9%</td>
<td>37,6%</td>
<td>14,9%</td>
<td>10,6%</td>
</tr>
<tr>
<td>The humiliating and discriminating rituals are dominant</td>
<td>7,4%</td>
<td>11,1%</td>
<td>18%</td>
<td>63,5%</td>
</tr>
<tr>
<td>Promotion is slow</td>
<td>38%</td>
<td>24,1%</td>
<td>20,3%</td>
<td>17,7%</td>
</tr>
<tr>
<td>The general objectives have priority to the individual ones</td>
<td>49,2%</td>
<td>25,4%</td>
<td>16,7%</td>
<td>8,7%</td>
</tr>
<tr>
<td>Arrogance and bureaucracy are encouraged</td>
<td>7,1%</td>
<td>8,6%</td>
<td>22,1%</td>
<td>62,2%</td>
</tr>
</tbody>
</table>

In the same context, that of quality of labour relation, we present in table 3 the results of evaluating the relation between managers and employees. Taking into account the data discussed previously, we are surprised by what people feel about their relation with their managers (supervisors). As we can notice, the situations existent in 2008 do not show a close relation between managers and direct subordinates. It is very rarely that positive stimulation is offered through a merit diploma or through making the praiseworthy ones known. Their failures are not tolerated but old-fashioned traditions are preserved. The subordinates’ proposals and suggestions are not accepted and there is no encouragement for the subordinates’ participation in the training courses sponsored by the firm.

### The relation managers (supervisors) - direct subordinates

**Table no. 3**

<table>
<thead>
<tr>
<th>Situations existent in the firm</th>
<th>Never (%)</th>
<th>Very rare (%)</th>
<th>Very frequent (%)</th>
<th>Always (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diplomas / merit medals are awarded</td>
<td>34,2%</td>
<td>44,3%</td>
<td>10,1%</td>
<td>11,4%</td>
</tr>
<tr>
<td>Personal success is publicized</td>
<td>22,8%</td>
<td>48,6%</td>
<td>17%</td>
<td>11,6%</td>
</tr>
<tr>
<td>Failure is tolerated to a certain degree</td>
<td>17,1%</td>
<td>58,7%</td>
<td>21,1%</td>
<td>3,1%</td>
</tr>
<tr>
<td>Personal success is encouraged</td>
<td>10,7%</td>
<td>39,5%</td>
<td>32,2%</td>
<td>17,6%</td>
</tr>
<tr>
<td>Norms leading to preserving tradition are upheld</td>
<td>7,4%</td>
<td>31,1%</td>
<td>44,4%</td>
<td>17,1%</td>
</tr>
<tr>
<td>Strict discipline is promoted</td>
<td>5,5%</td>
<td>18,8%</td>
<td>48,3%</td>
<td>27,4%</td>
</tr>
<tr>
<td>Subordinates’ proposals and suggestions are rejected</td>
<td>25,7%</td>
<td>48,2%</td>
<td>19,1%</td>
<td>7%</td>
</tr>
<tr>
<td>The employees participate in classes, training sessions sponsored by the firm</td>
<td>6,1%</td>
<td>32,9%</td>
<td>31,6%</td>
<td>29,4%</td>
</tr>
</tbody>
</table>

The evolution in time of the labour relation employee-employer is revealed by the data presented in table 4. Surprisingly, most employees state that their labour relation is relatively good and it could even be better through closer relation with their colleagues, through improving the work climate, encouraging the expressing of opinions by employees and their participation in the process of decision making. According to other opinions the situation has become worse or has remained as bad as before because of the little time spent with the family, because of low wages and of probably low possibility of expressing personal opinions within the organization.
The evolution in time of the employee - employer labour relation

Table no. 4

<table>
<thead>
<tr>
<th>Current situations</th>
<th>The situation has become worse</th>
<th>The situation has remained equally bad</th>
<th>The situation has remained equally good</th>
<th>The situation has become better</th>
</tr>
</thead>
<tbody>
<tr>
<td>The time spent with the family</td>
<td>23.7%</td>
<td>18.2%</td>
<td>48.1%</td>
<td>10%</td>
</tr>
<tr>
<td>The level of income (financial or other types of rewards)</td>
<td>12.8%</td>
<td>24.6%</td>
<td>39%</td>
<td>23.6%</td>
</tr>
<tr>
<td>The freedom of expressing opinions</td>
<td>5%</td>
<td>20.3%</td>
<td>57.5%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Hierarchical position</td>
<td>6.3%</td>
<td>14.6%</td>
<td>61.7%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Work climate</td>
<td>9%</td>
<td>9.6%</td>
<td>61.1%</td>
<td>20.3%</td>
</tr>
<tr>
<td>The freedom of putting ideas into practice</td>
<td>3.2%</td>
<td>17.5%</td>
<td>62.9%</td>
<td>16.4%</td>
</tr>
<tr>
<td>Relations with colleagues</td>
<td>2%</td>
<td>3.7%</td>
<td>73%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Participation in decision making</td>
<td>6.7%</td>
<td>18.4%</td>
<td>58.9%</td>
<td>16%</td>
</tr>
<tr>
<td>Support from colleagues</td>
<td>1.7%</td>
<td>5.6%</td>
<td>76.7%</td>
<td>16%</td>
</tr>
</tbody>
</table>

The results presented in table 5 show that, nevertheless, the labour relations and the relations between managers and direct subordinates do not affect the climate of the organization to a great extent. This conclusion leads us to the observation that the cultural elements under study have a greater influence on the agreement between members of large organizations. The most significant statements of the surveyed persons reveal the trust that the organization leaders benefit from (in large firms the unions are powerful), the definite sense of belonging to the organizational group, the informal communication within the organization, the constant integration of the new members of the group, the compatibility of the personal system of values with that of the organization. Of all the statements that reveal a negative influence on the organizational climate, we underline the stress at the workplace (confirmed by the tense relation between managers and direct subordinates) and the intention of changing one’s job in the near future.

The Climate of the Organization

Table no. 5

<table>
<thead>
<tr>
<th>Statements that apply to the organization</th>
<th>Never</th>
<th>Rarely</th>
<th>Often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your system of values matches that of the organization in which you work</td>
<td>3.6%</td>
<td>19%</td>
<td>55.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>You feel you are a part of the organization in which you work</td>
<td>1%</td>
<td>13.5%</td>
<td>40.4%</td>
<td>45.1%</td>
</tr>
<tr>
<td>You give up on your principles in order to sometimes do whatever you are asked for by the organization</td>
<td>7%</td>
<td>34.8%</td>
<td>44.8%</td>
<td>13.4%</td>
</tr>
<tr>
<td>You are encouraged to express your opinions at your workplace</td>
<td>4.1%</td>
<td>24.1%</td>
<td>46.4%</td>
<td>25.4%</td>
</tr>
<tr>
<td>Your colleagues are open to your ideas</td>
<td>2.1%</td>
<td>20.6%</td>
<td>57%</td>
<td>20.3%</td>
</tr>
<tr>
<td>The organization encourages your self-improvement</td>
<td>5.5%</td>
<td>32.5%</td>
<td>32.8%</td>
<td>29.2%</td>
</tr>
<tr>
<td>You are under tremendous stress at work</td>
<td>8.5%</td>
<td>32.6%</td>
<td>46.3%</td>
<td>12.6%</td>
</tr>
<tr>
<td>You acquire all the necessary information informally</td>
<td>1.2%</td>
<td>13.5%</td>
<td>55.6%</td>
<td>29.7%</td>
</tr>
<tr>
<td>You evaluate the activity of managing the organization positively</td>
<td>2.1%</td>
<td>11.8%</td>
<td>46.7%</td>
<td>39.4%</td>
</tr>
<tr>
<td>You feel embarrassed when you have to contradict your managers</td>
<td>13.8%</td>
<td>38.4%</td>
<td>34.6%</td>
<td>13.2%</td>
</tr>
<tr>
<td>You can also have a career in some other organization, you are not dependent on the organization in which you work</td>
<td>12%</td>
<td>25.1%</td>
<td>29.6%</td>
<td>33.3%</td>
</tr>
<tr>
<td>You are thinking about changing your job in the near future</td>
<td>37.3%</td>
<td>34.2%</td>
<td>22.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td>The new employees are helped to adjust to the organization in which you work</td>
<td>2.8%</td>
<td>14.5%</td>
<td>34.1%</td>
<td>48.6%</td>
</tr>
<tr>
<td>The new employees are treated reluctantly</td>
<td>47.4%</td>
<td>31.9%</td>
<td>15.9%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Overcoming the moments of confusion and uncertainty within the organization is accomplished through actions co-ordinated between the management and the other members of the firm. In table 6 we have a presentation of the results as regards the evaluation of the organizational practice related to achieving this objective. As we can notice, the most efficient action is the open and sincere internal
communication between the management and the organization, with the specification of the risks and chances offered by the changes required at such moments.

### Organization practice for the overcoming of the moments of confusion and uncertainty

<table>
<thead>
<tr>
<th>Actions</th>
<th>Of no importance</th>
<th>Less important</th>
<th>Quite important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sincere internal communication between the management and the organization</td>
<td>0,9%</td>
<td>2,8%</td>
<td>19,1%</td>
<td>77,2%</td>
</tr>
<tr>
<td>People have to be encouraged to express their feelings towards change</td>
<td>3,2%</td>
<td>6,6%</td>
<td>42,3%</td>
<td>47,9%</td>
</tr>
<tr>
<td>Meetings between managers and subordinates for the discussion of problems which might occur during the process of change</td>
<td>3,1%</td>
<td>5,3%</td>
<td>32,7%</td>
<td>58,9%</td>
</tr>
<tr>
<td>The employees should know the risks and the benefits of change</td>
<td>1%</td>
<td>3,8%</td>
<td>31,4%</td>
<td>63,8%</td>
</tr>
</tbody>
</table>

#### Table no. 6

### 4. Conclusions

The similar research conducted between January and March in 2005 by Gallup Organization in cooperation with Interact Romania is well known. In this case, they used the “Value Survey Module” Questionnaire, conceived by the Institute of Research for Intercultural Communication, founded by the well-known Dutch scientist Geert Hofstede.

The synthetic conclusions of the 2005 study reveal the following features of the Romanian behaviour as regards the cultural aspects, according to Geert Hofstede method:

- the complex towards power shows that the Romanians prefer subordination to a single manager and the participative / cooperative management style
- the Romanians reveal collectivist mentality, obeying the rules of the group in order to achieve common social interests
- there is no discriminating practice between women and men in Romania
- the Romanians are interested in avoiding uncertainties through agreement and immediate solutions
- the Romanians plans for the future aim at short-term objectives

The research conducted by us in 2008 confirms to a great extent, the results from 2005 and brings a series of useful additions to management practice. This study focuses on the organizations within business firms (services, production) which are significantly different from the organizations in public institutions.

The cultural values which the organizations are interested in are perceived differently, the most appreciated ones being discipline, commitment, performance, involvement, punctuality. The results of the research mentioned in 2005 were confirmed, regarding the distance from power taken by the members of the Romanian organizations and as regards accepting the equality of chances. The end of the economic growth period and the beginning of the economic crisis do not cause any changes to the above mentioned cultural dimensions.

The unwritten rules and/or the most respected customs in the large Romanian organizations refer to developing and maintaining good relations with the colleagues and between subordinates and the supervisor, and to encouraging divergent opinions. We can notice that there is a tendency of minimizing the importance that the family gives to the organization as well as one of the diminishing one’s trust in people because there is sometimes a great discrepancy between words and deeds. Therefore we can observe a reduction of the collectivists dimension and the orientation towards individual performance. This observation brings to our attention a possible future change of the collectivist dimension within the Romanian organizations.

The symbolic and visible cultural elements, which have the greatest impact on the members of the large Romanian organizations in 2008, are brought about by the corporate governance and its consequences on ensuring an optimistic perspective for the firms. The elements that are also appreciated are the behaviour towards partners (suppliers, clients and creditors), the pleasant aspect of the firm’s spaces, the web page, the advertising and the mass-media reports about the firm. Surprisingly, little attention

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is paid to stories and legends about the organization members, to the popularity of its founders, to ceremonies or rituals, as well as to real estate symbols (buildings, parking lots etc.).

The consequences of ordering hierarchically the visible and invisible cultural elements of large organizations are reflected in a series of interesting aspects regarding labour relations and their evolution in time, the social climate within firms and the manners of overcoming the states of confusion and uncertainty that occur in situations caused by the occurrence of changes.

As regards labour relations, we underline the importance given by the employer and by the employees to ensuring and maintaining a calm and relaxed atmosphere, to career promoting according to professional competence criteria, to discouraging arrogance, bureaucracy and the practice of humiliating and discriminating rituals among the employees. The employees’ low interest in ceremonies and rituals is explained by the fact that the managers do not create and do not encourage such situations as means of spiritual motivation in organizations.

The good evolution of labour relations in time is mostly upheld by the solidarity among the organization members, the relatively calm work climate, the constant enforcement of the competence-based criterion for hierarchical promotion and the stimulation of the employees’ participation in decision making. Labour relations can be negatively influenced by reducing the amount of time spent with one’s family, by slow promotion and by restricting wages.

The climate of the organization is mostly influenced by promoting and maintaining good informal communication within groups, by developing the sense of belonging to the group, by welcoming and carefully integrating the new employees within organizations. The demand of giving up on principles and personal habits and the stress within the organization can become sources of climate degradation inside the organization.

Overcoming the moments of confusion and uncertainty in the situations of change that may occur in organizations can be successfully sustained through sincere communication between the supervisor and subordinates, through encouraging the free expression of different opinions and through a careful evaluation of the risks and chances that can occur.

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Social Responsibility of the Financial Institutions towards SMEs and General Public

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Key words: social responsibility, financial institutions, sustainability, households, SMEs

Abstract: The lack of social responsibility in all segments of modern society becomes very important issue. Many contemporary studies have shown how devastating is the impact of exclusively profit driven business philosophy. The problem is more visible in post-communistic societies that have recently implemented basic principles of capitalism. The reasons are many, but among them we can underline the lack of period of adjustment to all changes that took place in last two decades. Changes in structure of loans and quantity of loans issued to different users such as SMEs and households makes a great difference from social responsibility point of view. Majority of users from these sectors don’t deal rationally with offered financial instruments. The problem reaches the best visibility point when it comes to loans.

In order to achieve better understanding of financial frame in Croatia it’s necessary to explain recent history of Croatian financial market. Croatian financial sector is dominated by banking institutions which is a reason why we will concentrate our research on interaction between banks and two sectors of our interest: SMEs and households. We can also say that the contribution of this paper lays in fact that this problem was only in focus of marketing experts researches and it was newer considered from the point of view of financial experts.

The mission of this paper is to show how low social responsibility implicates negative business results of Croatian banks in long time prospective. Also it effects negatively on the development of the country. Maine goal is to show how absolute orientation to short term goals makes impossible the sustainability of financial system in Croatia.

1. Croatian banking system

This survey will investigate the performances (from social responsibility point of view) of financial market in Croatia. Since the financial market in Croatia is dominated by banks we will concentrate on banks. The banks are holding over 79% of total assets of financial institutions. Other financial institutions are still developing. According to the Banks Act, a bank is a financial institution established as a public limited company with headquarters in the Republic of Croatia (Zakon o bankama, 2002). Under the statute and currently applied lows in Croatia the establishment of bank is based on a licence issued by the Croatian National Bank (CNB). Banking services are also defined by low and they include receiving cash deposits, granting loans and other investment of funds in one’s own name and for one’s own account, as well as issuing means of payment in the form of electronic money (Croatian Chamber of Economy, 2006).

Foreign ownership share of total assets in 2008 was 90.8%. Finally we can consider entrance of foreign banks into Croatian market as a very important foreign investment, witch could be considered as positive for domestic economy (Galac, Kraft, 2001).
One of the most commonly used ways of representing the history of Croatian banking system is to shown in this chapter of survey.

The 1st phase can be called the phase of foundation and it took place from early years of 20th century until 1995. What we can say about this phase is that Croatia and other CEE countries had started to build national banking sector at the same time when some western European countries started to enter international markets. The market of the banks in that period was focused on corporate banking while the consumer banking was still undeveloped (Buljan Barbača, 2007).

The 2nd phase is called privatization because the period from 1995 until 2000 was mainly characterized by privatization of state owned banks. In this particular moment, foreign banks have entered Croatian market buying some local banks. During this process, that took place at the end of the war that was going on in Croatia, several new local banks went through bankruptcy. Opening of this market to international participations increased competition in corporate banking and also retail banking market showed rather fast development (Buljan Barbača, 2007).

The 3rd phase of consolidation has started in 2001 and it is still in progress. Characteristics of this phase are increased competition among new owners and formation of new strategic plans of international banks in Croatia. At the same time there are many changes in structures and needs of consumers of banking products. For example, small and medium enterprises (SME), as a market segment start fast growth and need banking institutions to follow their financial needs (Buljan Barbača, 2007). However, access to bank loans generally or at affordable terms is granted to only 80% of SME (Vidučić, 2005).

Development and changes in banking sector in Croatia has resulted with visible changes in loan structure. True following figures we can see how banks have changed their orientations when it comes to final user of loans issued in different phases.

### Table 1. Investment structure of the Croatian banks in 3 dates from 3 different phases

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions HRK</td>
<td>%</td>
<td>Millions HRK</td>
</tr>
<tr>
<td><strong>DOMESTIC CURRENCY LOANS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Loans to central state</td>
<td>135.72</td>
<td>2.04</td>
<td>2.196.93</td>
</tr>
<tr>
<td>1.1. Loans to republic of Croatia</td>
<td>10.82</td>
<td>0.16</td>
<td>1.224.87</td>
</tr>
<tr>
<td>1.2. Loans to local units</td>
<td>124.90</td>
<td>1.88</td>
<td>972.06</td>
</tr>
<tr>
<td>2. Loans to local state institution</td>
<td>11.43</td>
<td>0.17</td>
<td>996.77</td>
</tr>
<tr>
<td>3. Loans to enterprises</td>
<td>4.575.57</td>
<td>68.93</td>
<td>25.328.00</td>
</tr>
<tr>
<td>4. General public</td>
<td>1.901.20</td>
<td>28.64</td>
<td>23.242.06</td>
</tr>
<tr>
<td>5. Loans to other banks</td>
<td>10.00</td>
<td>0.15</td>
<td>33.54</td>
</tr>
<tr>
<td>6. Loans to nonbanking financial institutions</td>
<td>4.13</td>
<td>0.06</td>
<td>105.54</td>
</tr>
<tr>
<td><strong>A. TOTAL (1+2+3+4+5+6)</strong></td>
<td>6.638.04</td>
<td>100.00</td>
<td>51.902.85</td>
</tr>
<tr>
<td><strong>FOREIGN CURRENCY LOANS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Loans to central state</td>
<td>796.00</td>
<td>7.28</td>
<td>779.06</td>
</tr>
<tr>
<td>1.1. Loans to republic of Croatia</td>
<td>598.10</td>
<td>5.47</td>
<td>623.53</td>
</tr>
<tr>
<td>1.2. Loans to local units</td>
<td>197.90</td>
<td>1.81</td>
<td>155.54</td>
</tr>
<tr>
<td>2. Loans to local state institution</td>
<td>-</td>
<td>-</td>
<td>171.64</td>
</tr>
<tr>
<td>3. Loans to enterprises</td>
<td>10.137.70</td>
<td>92.71</td>
<td>6.284.04</td>
</tr>
<tr>
<td>4. General public</td>
<td>0.90</td>
<td>0.008</td>
<td>56.28</td>
</tr>
<tr>
<td>5. Loans to other banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Loans to nonbanking financial institutions</td>
<td>-</td>
<td>-</td>
<td>143.45</td>
</tr>
<tr>
<td><strong>B. TOTAL (1+2+3+4+5+6)</strong></td>
<td>10.934.60</td>
<td>100</td>
<td>7.291.02</td>
</tr>
<tr>
<td><strong>TOTAL (A+B)</strong></td>
<td>17.572.70</td>
<td>100</td>
<td>59.193.87</td>
</tr>
</tbody>
</table>

*Source: Croatian National Bank, Online Statistical data of banking institutions, October 2009*

Since we are investigating the level of social responsibility towards SMEs and general public we will extract the data of our interest and show them in following charts.
In 2008 commercial banks granted credits in the total amount of 246,589,07 millions HRK (both denominated in Croatian kunas and foreign currencies). In comparison with the end of the 2007 year the growth of total amount of credits has been 14,43%. At the end of 2008 the share of credits granted to the enterprises was 39,28%.

It becomes very visible that banking industry has changed its orientation from predominantly supporting of enterprises, which is generally held as loans for production and development, to expansion of loans to general public.

This “unlimited” expansion of loans to general public gives an impression that current bank owners do not consider their profit in longer period. Requirements for sustainable development are not possible to be completed unless the bank system becomes more long terms orientated.
The structure of loans issued to the general public makes story even more dramatic. In following tables we will compare the structure of loans issued to general public in 2008 in Euro Area and those issued to general public in Croatia.

**Table 2: Distribution of Banks' loans to households in Euro Area at the end of 2008**

<table>
<thead>
<tr>
<th>BANK FACILITIES</th>
<th>EUR billions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans for house</td>
<td>51.4</td>
<td>65,06%</td>
</tr>
<tr>
<td>Consumer credit</td>
<td>10.4</td>
<td>13,16%</td>
</tr>
<tr>
<td>Other loans</td>
<td>17.2</td>
<td>21,77%</td>
</tr>
<tr>
<td>Total</td>
<td>79.0</td>
<td>100,00%</td>
</tr>
</tbody>
</table>


**Table 3: Distribution of Banks' loans to households in Croatia at the end of 2008**

<table>
<thead>
<tr>
<th>BANK FACILITIES</th>
<th>HRK millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans for house purchase</td>
<td>51.942</td>
<td>42,32%</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>3.015</td>
<td>2,46%</td>
</tr>
<tr>
<td>Car loans</td>
<td>9.449</td>
<td>7,70%</td>
</tr>
<tr>
<td>Credit card debt</td>
<td>5.449</td>
<td>4,44%</td>
</tr>
<tr>
<td>Other loans</td>
<td>52.879</td>
<td>43,08%</td>
</tr>
<tr>
<td>Total</td>
<td>122.734</td>
<td>100,00%</td>
</tr>
</tbody>
</table>

Source: Croatian National Bank, Online Statistical data of banking institutions, October 2009

The distributions of loans can be better seen from figure 4.

![Figure 4. Structures of bank loans to households in Euro Area, at the end of 2008](image)

![Figure 5. Structures of bank loans to households in Croatia, at the end of 2008](image)

If we compare data from these diagrams we can say that the structure of the loans for general public in Euro Area and Croatia are significantly different. The share of housing loans in total general public loans at the end of 2008 in Euro Area is 65,06%. “Consumer loans” represent less than 15% of loans to general public and little more than 20% is to be spent on different goods in Euro Area. Distribution of banks loans to households in Croatia things look much different; housing loans take only little bit more than 40% of the whole amount that is distributed for loans to general public, and what is even more scaring is that “consumers' loans” take more than 43% of all loans to general public. Reason of this “consummation hunger”
could be found in a sudden opening of the market in Croatia to export of the different goods that were not so easily accessible before in times of socialism (Buljan Barbača, 2007).

The case of rising funding households’ consumption tried to stop Croatian National bank (CNB), the major monetary authority in Croatia. CNB has tried in many occasions to influence this trend. For e.g. the CNB has adopted new regulation, in force since January 2007, they try to stop the growth of the loans in total on the level of 12% because every percent of the growth beyond 12% would produce more costs than benefits to the banks. Although the basic intention was to stop growth banks’ loans to general public, to achieve condition by the lows and regulations of EU, all regulatory rules have to be applied to all sectors. The consequence of adopting the new regulations was increased interest rates on loans to enterprises. Nevertheless, intention was positive and gives as the hope that someone up there from CNB is watching after us. Maybe tat is one of the reasons why governor of CNB, Zeljko Rohatinski, in 2009 was awarded as best governor by the opinion of World Bank.

In order to find out if these trends shown in this chapter are sustainable we need to see what the results of this kind of orientation are.

2. The goals of the banks and social responsibility

Without any doubt we can confirm that the main goal for the Croatian banks as for all banking institutions is a profit. Recently in contest of goals we can see how financial institutions try to create new image by underlining the importance of corporate social responsibility. Maine reasons for such activities could be, unfortunately, laying in necessity to increase their popularity among prospective or already active clients. Or we can say that everything is done for exclusively marketing purposes and we know that good marketing these days makes a great difference. Examples of this activities are many but lets make a comment on few examples.

Recently at very popular newspaper Birmingham Post we could read how employees at the Royal Bank of Scotland (RBS) have donated funds and their time to support a charity. Members of the bank’s Birmingham Mortgage Centre have helped clear new flower beds at Birmingham’s John Taylor Hospice in Erdington and raised £500 for the hospice (Birmingham Post, 2009). Good for Hospice but great advertising for Bank of Scotland!

Very interesting among new initiatives is the one from Mercantile Bank, Boston, USA. Their initiative in form of training program called Financial Literary Coaching Program is really something refreshing among social responsibilities activities banks usually undertake. The goal they are trying to reach is real. Training and education they are giving to general public for free should help the users understand how does the system work and to enable them to optimize their own personal portfolio. The mission is described with following words; “At Mercantile Bank, we feel a special commitment to the financial well-being and economic development of all segments of the communities we serve. Our Social Responsibility Committee oversees the social responsibility of the bank and identifies areas of need in the community. We focus on making a meaningful and quantifiable difference in improving the lives, well-being and economic condition of urban Boston residents in a sustainable way.” (Mercantile Bank, 2009). Putting the accent on social responsibility from this point of view and taking this kind of activities gives us a hope that there some banks in the world that are actually doing something important and mean full for society that surrounds them. Our only suspicion is that the ultimate purpose of this activity is once again reaching marketing goals because they have issued a brochure called Social Responsibility brochure in which they have presented the goals of program and positive opinions of former user of the program, but they have somehow missed to give a few good advices to the rest of society. The message is; we are really good bank, but you need to come and check it on you own!

Nevertheless, Mercantile bank has touched the very important issue, especially present in post-communist societies. In banking and financial sector we usually deal with asymmetry of information (Pojatina, 2006), but when it comes to relation between bank and general public sector it is not the only unbalance that exists as a problem between positions of these two subjects involved. Maybe even much bigger problem is “asymmetry of knowledge” by which we mean the lake of proper education of general public in use of financial instruments (Buljan Barbača, 2007). Majority of things connected to financial offer of banking institutions are not understandable to majority of population in Croatia. Reasons are to be found in historical changes that took place during the war in Croatia. The main transitional changes happened in the same time as the war in Croatia. Very often banks take advantage of this asymmetry of knowledge. For e.g. how many people know the difference between nominal and effective interest rate? The answer in Croatia is just few and the rest of population is always wondering when first annuity comes to payment.

One of the largest Croatian banks with domestic ownership is HPB and it is very interesting to see how they perceive the social responsibility issue. One their web site you can find following information concerning their attitude toward social responsibility; “Croatian Postal Bank is a modern financial institution and as the largest Croatian-owned bank it’s aware of its role and influence on Croatian society. Our corporate values, which are integrated into our everyday business, encompass not only business success, but also the care for the people, environment and the general improvement of quality of life in the community

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of which we are a part. For years now HPB is participating in organizing as well as supporting numerous important culture and arts projects, but during the last two years it has become even more active in promoting of culture and cultural values. HPB is a proud initiator and organizer of HPB Grand Prix for painting, HPB Gallery and the awards for the best young musician and the Croatian book of the year. Croatian Postal Bank donations are aimed at supporting culture, science, education and healthcare institutions in order to create better conditions for their work as well as to invest in young generation and the future of the country. HPB is also committed to preserving the Croatian traditions i.e. Croatian cultural heritage and natural resources. By sponsoring important and engaging events HPB is attracting the attention of the Croatian public and building its recognizable image. With focused activities in specific spheres of public life in Croatia, HPB wishes to attract new audience and ensure the loyalty of the existing one. The bank mainly sponsors sports clubs, cultural and education programs and scientific projects (HPB, 2009).” These activities are the part of promotional bouquet that marketing experts create with very precise goal. For purposes of creating their own positive image (Tomašević Lišanin, 1997) banks are financing many socially important events and activities. There are many contemporary studies performed on this issue (Arias, Patterson, 2009), (Pomering, Dolnicar, 2006) but the basic similarity of this studies and approaches lies on fact that they are the product of marketing experts. Marketing goals of the banks can sometimes look as a socially responsible actions and there not to be underestimated. This does some good to banks and also does some good to general public. Anyway it is very positive and although it has been done exclusively for marketing purpose it provides some benefits to the general public.

Let us resume main ideas from this chapter. Social goals are not primary for the bank but in a way bank is a “public good”, because it fulfills many public interests and demands of the community (Leko, 2005). In terms of social responsibility we could say that bank shows traces of socially responsible functioning if they do not discriminate anyone and provide their services to all members of the community. Above that there is also the bank’s stability, safety, price efficiency and also bank’s profitability, since bank pays contribution on its profit, so high profit brings more contribution (Leko, 2004). And as we can see in table 4. and figure 6. the changes in average lending interest rates of Croatian banks can also show us how different are treatments for SMEs and households.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average interest rates of corporate loans (in %)</th>
<th>Average interest rates of household loans (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>9,36</td>
<td>16,12</td>
</tr>
<tr>
<td>2001</td>
<td>7,09</td>
<td>15,33</td>
</tr>
<tr>
<td>2002</td>
<td>7,56</td>
<td>13,32</td>
</tr>
<tr>
<td>2003</td>
<td>7,08</td>
<td>11,83</td>
</tr>
<tr>
<td>2004</td>
<td>7,13</td>
<td>11,28</td>
</tr>
<tr>
<td>2005</td>
<td>6,72</td>
<td>10,22</td>
</tr>
<tr>
<td>2006</td>
<td>6,46</td>
<td>9,35</td>
</tr>
<tr>
<td>2007</td>
<td>6,57</td>
<td>9,30</td>
</tr>
<tr>
<td>2008</td>
<td>7,42</td>
<td>9,98</td>
</tr>
</tbody>
</table>

Source: Croatian National Bank, Online Statistical data of banking institutions, October 2009

Figure 6. Average interest rates of corporate and household loans in Croatia
Average interest rates of corporate loans, same as interest rates of household loans decrease to 2008, and than start to rise. From 2000 to 2007 average interest rates of corporate loans decrease for 30%, and average interest rates of household loans decrease more than 40%. By taking a peak to this data we can see what motivates Croatian banks. The general public or households are paying more for the money they borrow.

We have to know better! The part of responsibility lies in hands of financial experts that have the knowledge and means to put the story of social responsibility under the new light. When we analyze strategic plans of banks we can talk about social responsibility from completely different prospective. Bank that plans to work in this area in long terms has to have more feeling for social responsibility. What do we mean by that? Answer is simple; if one plans to make a profit in short terms, one doesn’t have to care what happens in long terms in his business environment, but wanting to make a profit in long terms; one has to be aware that his investments should do some good to general public by increasing productivity and investing in development. In next chapter we will try to establish how short terms strategies give bad results in long time prospective.

3. Profit driven policy comes to payment

It is very hard to establish the current situation in financial institutions without taking in consideration current global financial crises. Although, there are some eminent experts from Balkan countries stating that since banks that have a strong presence in the region have no direct exposure to markets which are under severe pressure, there is no reason to believe that the economies from this region should suffer the damage on the same level like the national economies from some other parts of the world. In the same time According to Joseph Stiglitz, American economist, 2001 Economic Sciences Nobel Prize winner and Professor at Columbia University, The global financial crisis is going to inevitably strike the Balkans. In the interview Stiglitz states that the crisis is going to be especially difficult for small and medium enterprises, developing economies and countries that have invested in the region. Stiglitz believes that the Balkans have very strong reasons to worry about the crisis and its certain future implications due to the domino effect and not so much as a direct consequence of the crisis in the USA (Stiglitz, 2008).

Since this survey was not planned to be orientated to investigate implications of current crises we will show the banking date without making any conclusions about trends in 2008. and further. What we want to see is how this orientation of Croatian banks has resulted with changes in outstanding claims with emphasis on SMEs and Households. First in the table 5., we will present the claims towards this two sectors of our interest for period over 90 days. The same data will also be presented in figure 7. The table 6. and figure 8. will show as the changes in level of claims for up to 90 days.

### Table 5. Over 90 days due outstanding claims of Banks in Croatia

<table>
<thead>
<tr>
<th>Year</th>
<th>Claims on enterprises Thousand HRK</th>
<th>%</th>
<th>Claims on households Thousand HRK</th>
<th>%</th>
<th>Total claims Thousand HRK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000.</td>
<td>8.847.426</td>
<td>73,86</td>
<td>1.571.712</td>
<td>13,12</td>
<td>11.979.257</td>
</tr>
<tr>
<td>2001.</td>
<td>8.946.012</td>
<td>70,74</td>
<td>1.692.289</td>
<td>13,38</td>
<td>12.645.440</td>
</tr>
<tr>
<td>2002.</td>
<td>7.791.380</td>
<td>67,09</td>
<td>1.722.760</td>
<td>14,83</td>
<td>11.613.639</td>
</tr>
<tr>
<td>2003.</td>
<td>7.301.628</td>
<td>56,24</td>
<td>2.310.029</td>
<td>17,79</td>
<td>12.984.001</td>
</tr>
<tr>
<td>2004.</td>
<td>4.759.408</td>
<td>55,87</td>
<td>2.473.950</td>
<td>29,04</td>
<td>8.519.251</td>
</tr>
<tr>
<td>2005.</td>
<td>4.205.091</td>
<td>46,63</td>
<td>3.006.945</td>
<td>33,35</td>
<td>9.017.503</td>
</tr>
<tr>
<td>2008.</td>
<td>5.306.605</td>
<td>43,67</td>
<td>4.167.890</td>
<td>34,30</td>
<td>12.150.555</td>
</tr>
</tbody>
</table>

Source: Croatian National Bank, Online Statistical data of banking institutions, October 2009
As we can see from data presented in Table 5., long term outstanding claims to enterprises decrease during the time until 2008. At the same time long term outstanding claims to households increase and tent to level of long term outstanding claims on enterprises. The share of total outstanding claims on enterprises during the period from 2000 to 2007 has decreased from 74% to 44%. During the same time the share of outstanding claims on households has increased from 13% to 37%. This can be explained with total increase of loans issued to households in front of the opposite trends in loans issued to SMEs. We can say that this structure of outstanding claims in long term was to be expected when you are familiar with the structure of loans issued to the sectors of our interest.

Let's see what was going on in domain of short term outstanding claims.

### Table 6. Up to 90 days due outstanding claims of Banks in Croatia

<table>
<thead>
<tr>
<th>Year</th>
<th>Claims on enterprises</th>
<th>Claims on households</th>
<th>Total claims</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand HRK</td>
<td>%</td>
<td>Thousand HRK</td>
</tr>
<tr>
<td>2000.</td>
<td>6,200,400</td>
<td>45.59</td>
<td>3,880,521</td>
</tr>
<tr>
<td>2001.</td>
<td>4,565,280</td>
<td>49.10</td>
<td>3,495,473</td>
</tr>
<tr>
<td>2002.</td>
<td>5,854,787</td>
<td>47.06</td>
<td>4,798,118</td>
</tr>
<tr>
<td>2003.</td>
<td>10,779,218</td>
<td>48.47</td>
<td>7,895,617</td>
</tr>
<tr>
<td>2004.</td>
<td>12,968,333</td>
<td>45.01</td>
<td>12,464,553</td>
</tr>
<tr>
<td>2005.</td>
<td>17,758,861</td>
<td>47.83</td>
<td>13,219,772</td>
</tr>
<tr>
<td>2006.</td>
<td>25,291,819</td>
<td>52.99</td>
<td>15,460,897</td>
</tr>
<tr>
<td>2007.</td>
<td>32,110,892</td>
<td>55.17</td>
<td>19,202,652</td>
</tr>
<tr>
<td>2008.</td>
<td>36,532,785</td>
<td>54.54</td>
<td>22,965,665</td>
</tr>
</tbody>
</table>

Source: Croatian National Bank, Online Statistical data of banking institutions, October 2009
In short term (up to 90 days) total outstanding claims increase from 9.200 millions HRK in 2001 to almost 67.000 millions HRK in 2008. Outstanding claims on both sectors rise continually during the time. The share of short term outstanding claims on enterprises increase, and in 2007 overtakes 55% of total short term outstanding claims. This trend shows undoubtedly that outstanding claims are going wild from year to year. Although we can see it for now only in short term results they are probably going to affect negatively the levels of outstanding claims in long term.

The statistics presented explain the motivation of Croatian banks. The general public or households are paying more for the money they borrow. The calculation is very simple; you don’t need to be an expert to understand that bigger profit is to be found in the pockets of households. But this can’t go on indefinitely. The decrease of outstanding claims of around 500% in last decade should give to our banks something to think about.

4. Conclusion

The new strategies that banks will undertake will determine how important for them is truly social responsibility and interaction with the society.

Loans to general public are growing fast and they are threatening to cause financial collapse and poverty of general public in Croatia. Taking in consideration what was earlier stated in this survey the probable causes could be grouped in 3 mean groups:
1. Lack of efficient legal instruments that Croatian National Bank has to make order in banking sector.
2. Households are not educated enough to be left on their own in making financial decisions.
3. Lack of focused educational activity organized by referent institutions in order to prepare general public and other potential users of financial instruments to use new financial products and to protect them in that way.

The profit is always going to be the goal number 1. for the banks in Croatia and all over the world but if we put bank goals in long term prospective and by showing the results of their short term strategies, and how that will negatively result on their long term benefit, we could conclude that the bank which plans to benefit from this market for longer period has to modify its strategies. By making restrictions in expansion of loans to general public and by distributing more loans to enterprises, bank does not only show high level of social responsibility but at the same time protects its own long term interests.

The times ahead of us are expected to be hard from financial point of view. Overcoming them and surviving the financial shortage are the tasks that have booth SMEs and general public. Without increase of level of social responsibility of our banks it is going to be very hard to achieve these goals. So let’s stop investigating social responsibility as a make up tool for marketing purpose and let’s make it a real tool that helps the society!

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Corporate Social Responsibility in Romanian Companies

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Keywords: corporate social responsibility, SMEs, multinational companies,

Abstract: This paper aims to present the concept and the evolution of Corporate Social Responsibility in Romanian companies and how its implementation influences the firm performances. We made a research through fifty companies from North Eastern part of Romania in order to identify their concerns in this area and the major actions which can influence their economic development. We also tried to identify which are the most useful information resources used for a better awareness of CSR and which are the real needs and expectations of top management concerning efficient CSR promotion campaign. We concluded that there is a poor level of knowledge and awareness of CSR concept and that government, civil society, universities has to increase their preoccupation in order to explain this concept and to determine a strong implementation into business strategy.

Part 1. Introduction

Corporate Social Responsibility (CSR) is considered as a new trend of company strategy to integrate social, ethical, and environmental concerns together with the usual measures of revenue, profit, and legal obligation.

According to Phillip Kotler and Nancy Lee¹, “CSR is a commitment to improve community well-being through discretionary business practices and contribution of corporate resources. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line: People, Planet, and Profit”.

European Union defines CSR as „a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis”².

The Corporate Social Responsibility (CSR) concept is one effective instrument for achieving economic growth, the quality of life, business development, environmental problems. We can speak about CSR when an organization acts to correct the negative effects and to maximize the positive effects associated with its production processes.

CSR plays an essential role, both in creation of corporate credibility, and also in the management of company identity. Activities of social responsibilities, properly communicated, can act as a real campaign of image. The label CSR could and can become a real selling tool. The future brands will mean not only quality, but also a good image considering relations with community, environment etc.

The ideal model of a company which is willing to contribute to a better society is that were strategy is based on:

- Transparency of decision-making process;
- Planning (objectives, timeframe, budget, impact);
- Clearly defined supported cause (focused);

¹ Phillip Kotler, Nancy Lee, Corporate Social Responsibility: Doing the most good for your company and your cause, 2005, John Wiley & Sons, Inc., New Jersey, p.4
² http://ec.europa.eu/enterprise/csr
The concept of social responsibility was introduced in Romania after 1990 by certain associations and foundations, which implemented some humanitarian programs and activities for the benefit of disadvantaged social categories: children, elder people, and women, were set up. Multinational companies established in Romania has developed this concept through actions and projects initiated by these firms.

Other companies, large or SMEs, developed after 2000 actions of social responsibility, especially in the field of environment protection, local community development, personal and professional development of employees.

During last years CSR in Romania was represented by more and more initiatives. New corporative foundations have been set up, new corporative programmes have been developed, specific marketing campaigns, donor programmes and even social campaigns supported by companies. More and more seminars, conferences, debates on the topic of CSR have been organized. Many SMEs in Romania already implement CSR practices but without being familiar with the official CSR concept or without disseminating these initiatives and activities.

Mass media played an essential role in promoting CSR among Romanian companies. In this respect, during last years there were more and more articles in newspapers, special dedicated web-sites, more and more events, seminars, conferences, in order to make known the concept of CSR and real advantages for companies and all involved parts: companies, clients, suppliers, local authorities.

**Part 2: The Research**

In order to identify companies preoccupation in the field of CSR, as well as the degree of knowledge and awareness concerning this topic, we made a research on fifty companies from which 30% multinational companies and 70% small and medium sized enterprises. During the research period all the questionnaires have been presented to the top managers of the companies, signed in by them and studied by us.

The structure of the researched sample includes small and medium firms, multinational companies, having the structure according to the turnover and employees number presented in the picture number 1.

In order to find out whether the companies have the CSR knowledge, we have forwarded them the awareness-raising questionnaires. The results of the questionnaires will help the companies to build up a new reflection upon their efforts in performing them, having as final result the improvement of their entire activity in a profitable and rational manner. The questionnaires also help them identify further actions in order to strengthen their business, reputation and performance.

Corporate Social Responsibility includes the following **aspects**: Workplace Policy, Environmental Policy, Marketplace Policy, Community Policy and Company Values.
2.1 The general level of development concerning the implementation of CSR

As expected, the multinational companies, which represent 30% of the researched firms, are strongly involved in different CSR activities. Regarding the small and medium sized enterprises only 40% seem to have understood the concept as it is, have tried to implement it in their system and have actual succeeded through their CSR actions and projects. The other 30% have trouble in understanding the concept, as they associate it with the legal rights and obligations.

So, from their point of view regarding Corporate Social Responsibility and Sustainable Development:

- The majority, 70% expressed that these terms are, at the moment, part of their management process, a long term strategy and a presumptive duty that they must have towards the company, but more important to the society, in creating it a better world, although sometimes it requires some substantial financial investments – but not as in the case of the minority where CSR is all about investing enormous sums of financial resources with no recovery or refund.
- 30% of them have heard about the two terms used by EU: CSR and Sustainable Development have a vague idea of what it should mean, but they cannot give a proper definition of these concepts. When they try to explain the terms, they associate it directly with the strategic objectives of the company: the continuous development of the company and the continuous increase of the turnover, a better position on the market, etc.

2.2 The importance and the content of CSR actions

From the researched companies:

- 70% consider that Corporate Social Responsibility is very important, contributing to the company image, relation with her own business partners, customers and
- Only 30% firms (SMEs) consider that CSR is unimportant and that these kind of activities demand important human and financial resources.

We present in Figure number 2 the importance of CSR concept in the researched companies:

![Importance of CSR in researched companies](image)

Figure no. 2 The importance of CSR concept in the researched companies

Corporate Social Responsibility is very important for: the clients, the industry, the services, the production sector, the agriculture and the energetically sector. At this question, the common answer – offered by all the enterprises which have been interviewed - was that CSR is very important, no matter the fact that for some of them the concept and all that it involves has no meaning and no reason, whatsoever, to be mentioned inside their company, or being associated with it.

From the small and medium sized enterprises, CSR is important because they are closer to the community as economical local structures, which means that they should and must have an active implication in the live of their communities. Also they suffer, as they are mostly influenced by the development of the community in which they activate.

We have mention that the companies acting in small towns are more involved in CSR activity and that they are keeping a permanent and constructive relation with community and it’s people. 20% of the researched firms, SMEs, are developing activities in small sized settlements, where the relations between the community and the companies are very close, a real fact that has determined a particular growth of the implications in CSR activities.

Most of the organizations have declared that they spend efforts and resources in order to help the community; they involved themselves in social, ecological projects. They are aware of the fact that this kind of behaviour influence their social image giving them recognition and respect from the part of the community. On the other hand, 30% of the researched companies have declared that they develop only actions imposed
by the regulations in the field of the employees’ rights, customers’ needs, and their suppliers and by the environmental conditions.

**The most important CSR actions developed** by the researched enterprises are: humanitarian actions, sponsorship, conservation and the promotion of the community’s values and traditions, actions leading to culture, education, art, sport development, professional training regarding the employees programmes, waste recycling and energy saving programmes, replacement of the old technology with some eco-friendly one programmes and all kind of project that have as a main goal the wellness of the society they live in.

As for the **aspects about CSR which the enterprises would like to implement** are the following: the development of the health sector, CSR awareness programmes, projects like the sponsorship of a local publication with the members of the community as actual beneficiaries and like fundraising.

In some of the organizations, the aspects that would like to be seen implemented regard a CSR politic, coming from the Government, which involves lower taxes.

Even though, most of the organizations we have chosen to be the study of this research have a CSR strategy, their ideal company view concerning CSR in the future is that of developing CSR politics in all their domains and departments; that of national and international recognition and that of sustainable development in order to allow them to participate to the well being of all the members of the society they live in.

It is well known that things get better in time and when we have asked the question: “If knowledge in the organization is lacking about CSR, which knowledge needs to be improved?”, the managers had a common answer and that was the cost savings. Some of them declared that it is indicated from time to time to improve all the knowledge you have, even though it refers to: the impact on the organization, the customer awareness, the impact on environment, the competitors strategy on CSR or the regulations.

Thus, **70% of the companies would like to improve their knowledge through:** trainings, congress and in-house presentations, and also they have chosen the audit by the external specialist, the Government information and the EU website.

On one hand, the enterprises participate and develop quite an impressive number of CSR actions by their ones, but on the other hand there are many external institutions that can play an important role in improving and implementing CSR like: Universities, Applied Universities, European Union and Non Governmental Organizations.

Due to these external institutions, the majority of the enterprises expressed their opinion regarding the way they transfer the information about CSR towards the organization’s suppliers, customers and employees – in one word: stakeholders – and that is via email and at the company’s magazine. There were few who declared that they transfer the information by posting them on the website and by mentioning them at the meetings, whenever it is necessary.

It takes nothing to speak about CSR or to dream of developing some actions in this matter, but when it comes to facts the enterprises have to pay whatever sum they consider it is enough for developing their proposed activities regarding social responsibility. Depending on their size and their turnover, the enterprises we have analysed estimate to spend, on implementing CSR on a yearly basis, from 4000 to even 800,000 €.

There are some regulations which regard CSR and it is obvious that its implementation is necessary and important in every domain, as well as in industry – and so has declared the majority -, because it helps developing the society by ensuring enough jobs, by painting an internal and external image, by using eco-friendly technology and materials and also by taking actions in making The Planet becoming a healthier place to live in.

There are several national regulations which affect the enterprises towards CSR on a reasonable level, because these organizations are orientated:

- to respect the ethical principles and the legal rules imposed (laws of social protection, labour laws and environmental legislation) as well as
- to protect the customer,
- to promote new technologies and
- to increase the standards of quality.

In terms of international/ EU regulations that are considered to be affecting the companies towards CSR, this happens at a reasonable level as the national regulations are according to the International/ EU regulations.

**70% of researched companies decided that EU has to make more regulations regarding CSR** and these should be focussed on: banning the use of pollutant technologies and on exemption from taxes for the amount of money invested in CSR actions having a well-specified direction.

These companies are strongly interested in receiving the final report in order to enrich the information regarding Corporate Social Responsibility. We have to mention that the three companies registered as having a low level of CSR knowledge were not interested in receiving the final report or further materials.
Part 3: Conclusion and Proposals

At European level social responsibility is much more than a programme or a campaign. It is a philosophy, a way of ethic and responsible behaviour which covers all aspects, from company to the relationship with their own employees, clients, shareholders, suppliers, environment and, certainly, with the local communities.

It was a matter of time until this policy has become a reality also for Romania. The dialogue with partners – mass media, local authorities and other stakeholders - is now much more organized than it was a couple of years ago, and more companies, not only multinationals, but even some SMEs having important budgets, have a strategy including the social responsibility.

Companies are quite attracted by this concept, but when they have to meet the challenges imposed by the implementation of CSR initiatives, it is true that most of them still have problems in understanding the Fiscal Code, the problems with community involvement and interest. It is also true that CSR trends are seen different nowadays. If in the past the vision on the CSR evolution was rather pessimistic, today in some cases it remained the same. In other cases, the vision on the evolution of CSR practice is seen as following a positive trend. Main factors contributing to this evolution are: positive trend of local economy, better understanding of a Fiscal Code and a better use of fiscal incentives, all these leading to an increased number of good practices of CSR.

In some cases, some SMEs should stop thinking that CSR actions may bring negative aspects to their day-to-day activity, such as:

- Complaining about a lack of funds capable to introduce CSR strategies in their normal activity; in many cases they are awaiting such actions coming from large companies;
- Lack of enough knowledge concerning the real meaning of CSR actions, in producing advantages or the adoption of a real strategy in the field.
- Lack of enough specialists in CSR; the majority of SMEs have a small number of employees, and the owners of these companies consider that they can not afford having an employee especially hired for this activity.
- Adopting a CSR strategy gives not an immediate positive result and profit; many owners of such companies appreciate that they do not have enough time to wait for profit in years that come; they all want an immediate profit.
- In big towns, compared to small localities, there are much more resources, knowledge, sources of information in order to support the implementation of CSR among SMEs.

The SMEs should start seeing all the positive results:

- Importance given by governmental bodies and agencies to support CSR for SMEs: change of laws, new legal provisions, creation of special departments for this field.
- Financing programmes supported by Government or civil society in order to implement CSR for SMEs.
- EU funded programmes in order to raise awareness and to support the implementation of CSR by the SME sector.
- More coverage of the field in newspapers, web-sites, special events, seminars, conferences, in order to make it more popular the CSR concept and its real advantages for companies.

We can conclude the fact that, Romanian society has a major need for the solid implementation of ethics in business, social involvement, environment and employees protection. If more and more people will be seriously involved in all these responsibilities, things will start to move quickly and the results will soon appear and thus SMEs will better understand that the future economic development of the society depends on their implication regarding CSR actions.

In this respect, we appreciate that in the near future all interested parties should make more in connection with CSR: companies must develop their own strategies, according to their activity sector and the community needs. At the same time, the public sector and the civil society must develop and promote long term projects.

Mass-media has also an important role in informing and educating all the companies and the community. We also appreciate that more debates, conferences, seminars, having as main topic the social responsibility, held by the government representatives, leaders of civil society, specialists and experts, representatives of multinational companies but also representatives of Romanian SMEs, are important for the future development of CSR in Romania.

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New Ideas for a Democratic Socioeconomic Platform
Searching for a Democratic Political Party

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Key words: democracy, economic policy, democratic politics

Abstract: In a previous paper entitled "Socioeconomic Democracy: A Synergetic Amalgam of New and Ancient Ideas in Political Economy" [1], presented at ISINI-5 in Mexico City (1999), a rather complete introduction to, and a sketch of dozens of the societal desirable ramifications resulting from, Socioeconomic Democracy were provided. Here, we wish to explore in more depth some of the specific desirable possibilities of such an advanced socioeconomic system, applicable in locally appropriate forms, in all regions of the world. Considering the recent and continuing rather dramatic display of some of the long-standing shortcomings of contemporary economic theory and practice, this exploration becomes increasingly required and mandatory. It is clear the world desperately needs a fundamentally improved economic system. Two major aspects of this necessary improvement are the Definition of Wealth/Money and the Distribution of Wealth/Money. The democratic distribution of wealth and the resultant desirable ramifications in the ethics-psycho-socio-economic realm are considered here. In order to help facilitate both the understanding and implementation of these new and essential ideas, the discussion will take place in the context of contemporary political situations and opportunities. Accordingly, considered here are some specific possibilities that could promote the actualization of these New Ideas for a Democratic Socioeconomic Platform, and thereby enhance the probability of planetary survival and sustainability.

Brief Review of Socioeconomic Democracy and a Democratic Socioeconomic Platform

Prelude

It seems a different country about this glorious globe experiences/undergoes a “crucially decisive” election practically every few months. Not that many (any?) countries about this polluted planet ever approach, in any meaningful sense, the ideal (whatever that is) of a democratic society.

Not infrequently, the election results are relatively closely decided, e.g., 51/49 percent, up to a “divergence from balanced-difference” of, say, 54/46, regardless of whether 10, 33, 49, 51, 75, or 98 percent of the eligible voters vote.

Then, of course, there is the matter of “Who is eligible to vote?” and the matters of “Who says so, and why?” There is the very wide variation in the confidence of the meaningfulness of participating in some or any particular political process in order to help realize peaceful, just, appropriate and desirable personal benefit, as well as equally or more farsightedly overall societal benefit. And then there is the matter of the Quality of the Questions to be decided, even if to be decided democratically, proffered by many contemporary politicians, political parties and political processes.
And all the above is regardless of considerations such as the magnitude, frequency and extent of the accidental as well as intentional alterings of any supposed democratic voting process outcome by strategically placed technological capability employing a wide variety of ingenious new inventions, as well as all the old tried-and-true traditional ploys of vote intimidation, shaving and fraud.

In those relatively fewer situations where a large majority of the eligible voters, which in turn make up a large portion of the “adult” population, vote for the same person or plan, it can be assumed, or at least strongly suspected, that that society is either doing something very, very good (relatively speaking) or experiencing something very, very bad (in an absolute and nodoubt painful way). More frequently, the latter situation prevails -- at least until the Transformation.

Democratic Political Platforms

As the title conveys, presented here is a Democratic Socioeconomic Platform (almost desperately) looking for a (necessarily) Democratic Political Party.

This Democratic Socioeconomic Platform is respectfully submitted to all participants in, and/or those otherwise affected by, all the present local and global politico-socio-economic systems and processes, as well as all political parties (presently “democratic” or otherwise), scattered about the carnage, outrage and desperation, frantically attempting to “organize” all these puzzling political pieces and puzzled potential participants.

The purpose of this Democratic Socioeconomic Platform is to put forth a new, fundamentally just, democratic and systemically consistent political platform capable of democratically enhancing the General Welfare of All Citizens of a Democratic Society.

Expressed in other terms, the purpose is to indicate how Socioeconomic Democracy can and will resolve or significantly reduce a wide variety of already-acknowledged, serious, costly yet unnecessary societal problems -- and do so simultaneously, a natural gift/property of a successful systemic solution.

A further gift/property of Socioeconomic Democracy is that it will immensely increase facilitation of the actualization of many of the other fundamental changes in humanity’s politicosocio-economic systems that are necessary and must and will be made by and for human survival, sustainability, grateful satisfaction and spiritual/humanistic development.

At least for example, “debt-creating” created money has got to go, for all the now-obvious and incontestable reasons, and Socioeconomic Democracy -- aided and abetted by the nowundeniable multidimensional global economic crises -- will induce many more people to start seriously thinking about the who, what, where, when, why and how of Money, which is but a logical hop, skip and jump away from desirable and successful democratic monetary reform.

This Democratic Socioeconomic Platform (DSeP) could be considered by, and is hereby most respectfully submitted to, the brave Bhutanese, who recently voted with 80% of the eligible voters voting almost unanimously (this, in a very high altitude and remote country, just below Heaven) to follow their then-28-year-old king Jigme Khesar Namgyal Wangchuck’s “vision” of an all-encompassing political philosophy that seeks to balance material progress with spiritual well-being for all, quantitatively and qualitatively characterized as “Gross National Happiness,” to be determined democratically.

This Democratic Socioeconomic Platform will undoubtedly be welcomed in Zimbabwe, where that charmed and painful President Robert Mugabe, who recently “won” or “lost” his latest in a long sequence of “re-elections,” and who is well known for his particular policies and implementation tactics regarding “land ownership reform and redistribution,” will likely direct his reportedly democratic ZANU (PF) Party to now embrace the Movement for Democratic Change (MDC), mostly (but not completely) led by Morgan Tsvangirai, so that together they and all Zimbabweans can reduce Zimbabwe’s orbital-altitude inflation and violence, and instead introduce the concept of gross national happiness, democratically determined.

Then, of course, there is the United States of America (Paine’s phrase and Palin’s fantasy), which is, alphabetically, among other criteria, currently much closer to Zimbabwe than Bhutan.

With its seemingly years-long run-up to the much-anticipated and extremely educational Global Event, the US Presidential Election of 2008 has become historic in a number of significant ways. All that is needed now (it is respectfully submitted) is a Democratic Socioeconomic Platform.

One of many important differences between this Democratic Socioeconomic Platform (DSeP), and the typical run-of-the-mill political party platform laundry list of independent and notinfrequently inconsistent political promises, often offered yet seldom satisfied, is that this DSeP proposes and describes how to democratically realize/accomplish a peaceful and societally beneficial transformation of the world’s obviously malfunctioning, not to more than mention decidedly undemocratic and deadly, present patriarchal politico-socio-economic systems.

More specifically, the presently harmful economic incentives, invariably, inevitably and inextricably created by contemporary economic systems, with their sorry-or-not psycho-socioeconomic consequences and externalities dramatically displayed daily, are, with this DSeP, democratically redesigned, reconfigured and Changed to create an Economic Incentive that positively encourages the simultaneous reduction of society’s many painful, costly yet unnecessary socioeconomic problems, as well as contributes significantly...
to the Positive Empowerment and Healthy Development of All Citizens of a Democratic Society. Socioeconomic Democracy (SeD), which is the essence of the proposed DSeP, can be viewed as engaging in (among other things) Transformational Politics, that is, an Evolutionary Politics that consciously, openly, honestly, forthrightly, publicly, thoughtfully and successfully works to realize significant Synergetic Inclusive Societal Improvement.

On the other hand, Socioeconomic Democracy can be viewed as engaging in Transformational Economics, that is, an Evolutionary Economics that is dedicated to unabashedly maximizing the overall well being of all humanity. This implies and requires, at a minimum, a fully understood and appreciated concept and practice of Sustainable Development for All, which in turn implies and requires Bounded Inequality of Essentials for All. In a democratic society, such decisions are made democratically.

Similarly, SeD can also be viewed as engaging in Transformational Sociology or Evolutionary Sociology, as well as Transformational Psychology and/or Evolutionary Psychology. The latter perspective may ultimately prove to be the most descriptive and productive interpretation of the overall process.

For this, public and democratic (as opposed to presently private and/or unrepresentative, secretive governmental) socioeconomic system design, with democratic approval and implementation, are clearly both possible and essential. Clearly also, these essentials should be readily available in any meaningfully democratic society.

This DSeP, practicing Transformational Politics, can be contrasted with many contemporary political party platforms, which, at best, primarily practice Transactional Politics, such as, for example, quibbling over, attempting to agree upon and finally "democratically" deciding just how much and what percentage of the local, regional, national, international and global budgets should be devoted to getting the kids killed in the wars, compared to the amount and percentage devoted to getting the kids killed in the classrooms, compared to the amount and percentage devoted to getting the kids killed by denying them available but (unfortunately!) "unprofitable" health care, and so on.

In a fundamental sense, Transformational Politics concerns democratically determining and implementing significant and necessary improved survivability, sustainability and quality-of-life measures and realities, while Transactional Politics remains quibbling over the Change.

A scientific metaphor might be a Kuhnian “scientific revolution” vs. Kuhn’s (certainly not completely contemptuous) “standard incremental science.” But to make the metaphor complete, it is acknowledged that even Kuhnian paradigm shifts are often frustratingly gradual and certainly not instantaneous.

**Democratic Socioeconomic Platforms**

Socioeconomic Democracy (SeD) is a theoretical and practical socioeconomic system wherein there exist both some form and amount of Universally Guaranteed Personal Income (UGI) and some form and amount of Maximum Allowable Personal Wealth (MAW), with both the lower bound on personal material poverty and the upper bound on personal material wealth set and adjusted democratically by all participants of a democratic society.

The definitive document describing Socioeconomic Democracy is the book Socioeconomic Democracy: An Advanced Socioeconomic System (Praeger, 2002) [2]. The website of the Center for the Study of Democratic Societies provides a wealth of further information regarding Socioeconomic Democracy [3]. The specifically defined idea of Socioeconomic Democracy was first presented in this writer’s initial, self-published book in 1972 [4]. The subject of Socioeconomic Democracy is now conveniently discussed on numerous websites and Internet newsletters and journals, locatable by the usual procedures. See, for example, [5-22]. A sampling of supportive or related material for the various ideas of Socioeconomic Democracy presented here may be found in the much abbreviated further reading list [23-44].

In this material and elsewhere will be found anthropological, historical, philosophical, psychological, religious and human rights justifications for various locally appropriate forms of Socioeconomic Democracy.

Numerous practical political approximations to the ideal theoretical democratic socioeconomic system model have already been outlined or detailed. One simple, obvious and meritorious practical political approximation is characterized by different political parties advocating different amounts for the two crucial and extreme socioeconomic boundary parameters, with the “winning” political party or coalition then implementing their particular understanding of the General Will of the society regarding appropriate magnitudes for these two fundamental boundaries on Humanity’s economic existence.

Striking similarities and two intriguing minor differences between SeD and Zakat, one of the Five Pillars of Islam, have been indicated and internationally discussed. Simply developing this relationship logically can and will make considerable progress.

Relative costs and benefits studies for the four basic generic forms of SeD, as well as important considerations of the effect of variations in the particular magnitudes of the democratically set tolerable bounds on personal material poverty and personal material wealth have likewise been provided. System realizability, feasibility and implementation requirements have also been identified and shown to be quite satisfiable. Again, essentially all that is required is a thoughtful democratic society.
Economic Elements of Socioeconomic Democracy

UGI. With Socioeconomic Democracy, each Participant of the democratic society would understand that some form and amount of democratically determined, societally guaranteed minimum personal income or support would always be available. Put another way, society would guarantee each citizen some minimum amount of purchasing power, one way or another.

To be sure, this basic idea dates back at least to antiquity, and has, in recent decades, been increasingly explored and richly developed by numerous individuals, organizations and governments at all levels. The Basic Income Earth Network (BIEN) and the United States Basic Income Guarantee (USBIG) Network are but two of many dedicated productive groups exploring, advocating and (re)introducing the general concept around the world.

Depending upon available resources and the degree and direction of technological development, this democratically set, societally guaranteed minimum income for all could be sufficient to satisfy the typical individual's minimum subsistence and/or personal healthy growth needs.

Alternatively, other societies might democratically decide to set the guaranteed amount at a partial subsistence level, for a variety of legitimate reasons.

There are, of course, as many different names and forms of UGI (ranging at least from Basic Income (BI) to Negative Income Tax (NIT) and including Guaranteed Livable Income (GLI)) as there are reasons to establish some form of UGI, or, for that matter, as there are ways proposed to fund different forms of UGI. Indeed, a democratically set UGI could logically be called and considered Guaranteed Sustainable Development for All. An increasingly popular public policy perspective referred to as “Socioeconomic Affirmative Action” is clearly related.

MAW. Further, with Socioeconomic Democracy, all participants of the democratic socioeconomic system would understand that all personal material wealth above the democratically determined and established maximum allowable amount would, by due process, be transferred out of their ownership and control in a manner specified by the democratically designed and implemented laws of the land, and transferred in accordance with other laws of the land to fund, say, various forms of Sustainable Development for All.

Do note that all the personal wealth above the democratically determined maximum allowable amount, now to be devoted (after SeD is established) to the Sustainable Development for All, could be either transferred in some sense directly to a democratic government to be deployed as democratically determined, or be dispersed and deployed as the present wealth owners desire and think best, satisfying, of course, a few reasonable laws, rules and regulations on the matter.

This latter procedure has many merits, of which one would be that the present wealth holders might in general be expected to more fully appreciate their “earned” opportunity to direct their societally determined excess wealth toward focusing on specific legitimate societal problems that particularly interest and concern them.

Yet again, this “privilege” to personally deploy one’s “excess” wealth for the betterment of society, as personally preferred, could be extended only to those who had personal wealth in excess of the initially established, democratically decided MAW limit (a “Grandfather” clause, as it were), while all excess personal wealth periodically trimmed off after the system is well established could be directed toward a democratic government’s General or Specific Welfare Fund for all its citizens.

Perhaps needless to say yet will be reiterated, the primary benefit of SeD to enhance societal well being and the General Welfare is the result of the Economic Incentive the democratically set MAW limit creates, and not the amount of wealth periodically trimmed off and donated toward the worthy cause of insuring sustainable development for all. (But everything helps!) This Economic Incentive is discussed below.

Democracy. There is a simple procedure by which each individual participant in a democratic society (or each member of a democratic legislative body) can directly vote her or his particular preference for an amount, magnitude, or quantity of something in question, with the democratically determined, societally or legislatively desired amount unequivocally resulting.

As if to emphasize the significance of the discovery, Duncan Black and Economics Nobelist Kenneth Arrow independently and more or less simultaneously established the important yet simple mathematical result and procedure more than a half century ago.

Their now-classic Social Choice contributions have provided the theory which shows that the Median Value of the Participants’ (citizens’ or legislators’) Personal Preference Distribution is the amount the democratic society or body, as a whole, is “for” -- assuming the minimal operational “one Participant, one Vote; Majority Rule” decision-making process. Roughly speaking, this means that the democratically determined amount is such that half the voters want that much or more while the other half want that much or less.

Note that the objective is not, definitely not, and should not ever be “equality in and of everything” (whatever that might mean, and regardless of its impossibility), but rather Acceptably Bounded Inequality of Essentials, with the particular democratic society democratically determining the degree of inequality it desired and will tolerate.
Variations of SeD. Note that any participant in the democratic political process, who might be opposed to any UGI, for any reason at all, could vote to place the lower bound on universal, societally guaranteed economic assistance at zero. If a majority of voters so voted, it would be the democratic desire of that particular society, at that particular time, to have no UGI.

Likewise, anyone who might be opposed to some finite limit on allowable personal material wealth, for any reason whatsoever, could and should vote, at election time, to place the upper bound of MAW at infinity. If, for any of a variety of reasons, a majority of the voting public were to prefer and vote to place MAW at infinity, then it would be the democratic desire of that society, at that time, to have no upper bound on personal material wealth.

Socioeconomic Democracy is thus seen to embrace, present and facilitate all four of the generic variations of democratic socioeconomic systems. That is, there can be democratic societies wherein there is a nonzero UGI and a finite MAW (the standard and most effective form of SeD); zero UGI and finite MAW (a system with many merits!); nonzero UGI and infinite MAW (legendary problems: how and how much to finance the UGI); and finally, zero UGI and infinite MAW (similar to the current situation, but at least then democratically approved, with such skewed and problem-producing wealth maldistribution apparently acceptable -- at least to a majority).

Beyond these four theoretical and fundamental variations of Socioeconomic Democracy are, of course, the wide ranges of possible magnitudes of the UGI and MAW levels, both democratically determined. It is in the act of democratically determining these two societally acceptable personal wealth and poverty boundary magnitudes that proper attention to the particular societal situation can and will be encouraged and expressed.

Perhaps needless to observe, the same voting procedure (Quantitative Democracy) can be used to democratically resolve a wide variety of other serious societal questions concerning magnitudes of important societal parameters, arising in many different realms and levels of society. These might include, for example, a societally set upper bound on allowable personal income and/or an upper bound on the allowable ratio of maximum-to-minimum income, or wealth, this in a company or a country, etc. Thus, many societies, all fundamentally democratic, could nevertheless display their democratic differences.

**Economic Incentives Created by Socioeconomic Democracy**

Consider first the Economic Incentive created by a democratically set Maximum Allowable Personal Wealth limit. We have observed earlier that, with SeD, all wealth above the democratically set upper bound on allowable personal material wealth could either be given to the government as taxes (to either enhance the General Revenue Fund or be mandated for specific projects and purposes) or be disposed of as the present wealth “owners” so choose (again, satisfying reasonable, democratically established societal restrictions and opportunities).

In either case, all rational, self-interested and insatiable (as the current dominant-though-fading neoclassical economic assumptions/theory goes), extremely wealthy, law-abiding participants in the democratic society with its democratic socioeconomic system, who still desire increased personal material wealth, would be economically motivated, that is, have economic incentive, to actively and seriously work to increase the welfare and well-being of the less well-off members of society. Only in this manner can these (still-wealthiest) participants persuade a majority of the citizens/participants of the democratic society to see the wisdom in and democratically vote to raise somewhat the legal upper limit on allowable personal wealth -- everything considered.

There is, in fact, strong economic incentive for those who are at or near the democratically set upper bound on allowable personal material wealth to be successful in improving the General Welfare. For if the current level of MAW is not producing sufficient improvement in the General Welfare, as democratically determined, there is the possibility and probability that the democratic society will democratically decide to reduce the MAW limit even more, in order to enlist even more still-wealthy participants (with their unique and valuable knowledge, knowhow, contacts and “can-do-ness”) and their extra wealth in the proper and noble task of seriously improving the general welfare and well being of all society, humanity and posterity.

The ultimate effect of such economic incentive, as experienced by those at or near the democratically set upper bound on MAW, will be to transform their very real, primitive and originally perhaps justified (individual survivability) concept of “self-interest” to instead, and in effect, interpret and include larger and larger segments of society and humanity as “self,” insofar as calculations of “self-interest” are concerned.

This is because such a perspective will be appealing to that still-functioning, primitive, individual-ego-informed self-interest. Put another way, global and higher consciousness will be increasingly appreciated, encouraged and demonstrated by the emerging realization of the very real benefit to personal self-interest that result from considerations of inclusive “self-interest.”

Note also that a not-insignificant amount of this effect would become manifest, even if some particular democratic society democratically decided and voted to initially establish the upper limit on allowable personal material wealth (MAW) at, say, twice the amount of wealth presently possessed by the
Currently, Riches of the Rich. Verification of this observation is an amusing exercise, proceeding simply from "reading the writing on the wall."

The economic incentives created by various forms of UGI have long been theoretically examined, practically tested and adequately documented. The results are easily available, though anyone not familiar with the subject could conveniently begin with BIEN or USBIG.

Of course, except essentially for Tom Paine, no proposal for some specific form of UGI has ever yet been seriously linked directly to either democracy or some form of upper bound on allowable personal material wealth. Hence, and in spite of its promise and potential, the present state of this very sick planet.

The incentives, economic and otherwise, created by establishing these two crucial economic bounds, i.e., UGI and MAW, democratically, will, among many other desirable developments, significantly encourage and enhance the informed political participation of all citizens of a democratic society -- here assumed a positive, progressive and desirable political development.

**Specific Possibilities for a Democratic Socioeconomic Platform**

The material presented here both draws from and further develops that provided in “Different Possibilities for the Magnitudes of the Two Democratically Set Bounds of Universally Guaranteed Personal Income (UGI) and Maximum Allowable Personal Wealth (MAW) in the practice of Socioeconomic Democracy” [41]. That article was also more recently published in the PelicanWeb’s e-Journal of Sustainable Development [42].

**Democratic Determination of UGI and MAW**

As has already been noted, a democratic society could democratically decide (by majority vote) to have no universal societally guaranteed personal income. Similarly, a democratic society could theoretically vote to have or establish no maximum allowable personal wealth limit.

There can therefore be democratic societies wherein there exists:

**Nonzero UGI and finite MAW.** This is the standard and most effective form of Socioeconomic Democracy, with capability to facilitate democratic expression of a wide range of opinions and ideologies that characterize different countries, regions or autonomous groups of people.

Collectively, locally appropriate forms, amounts and approximations to SeD will no doubt provide considerable healthy experimentation with a significant range of alternative socioeconomic philosophies and evolving under the constraints of a range of available or sustainably developable resources. In all cases, however, multidimensional improvement in the society can be expected, with an acceleration of the process of improvement to be expected following increasing global adoption of locally appropriate forms of SeD.

**Zero UGI and finite MAW.** This basic political perspective has many merits, and, as importantly, further satisfactorily resolves many thoughtful individuals’ arguably legitimate concern about universally guaranteed personal income without any qualifications on that guarantee whatsoever. In such a system as this, the many societally beneficial ramifications of Socioeconomic Democracy are all due to the economic incentive created, and the monetary funds made available, by the democratically set maximum allowable personal wealth bound.

**Nonzero UGI and infinite MAW.** This perhaps understandable and certainly ubiquitous impulsive thrust toward attempting to “help the poor,” with or without addressing the Causes of the Perennially Poor and Poverty-Stricken, does, of course, have its legendary problems. Among these are determining just how and how much to finance the UGI, as well as who says so and who pays for it. The evolution of human consciousness is currently transcending this confusing and progress-impeding oversight.

**Zero UGI and infinite MAW.** This situation, which can be democratically desired and realized by majority-rule ballot, is, clearly, similar to the present situation of unconstrained bounds on personal material poverty and personal material wealth. But at least with Socioeconomic Democracy, the situation would be democratically approved, with such skewed and problemproducing societal wealth maldistribution apparently acceptable, at least to a majority.

Beyond these four theoretical variations of Socioeconomic Democracy are the wide and interesting ranges of different specific finite magnitudes or amounts for the UGI and MAW levels, where each is to be democratically determined and established. We now briefly consider and comment on a wide range of these different specific possible magnitudes for UGI and MAW.

In passing, it is noted that a useful perspective might be provided by viewing UGI as a form of Bailout from the Bottom Up, as opposed to now-discredited Trickle Down dogma. And the MAW limit speaks directly to the Need/Greed dichotomy, further directing the Politico-Socio- Economic Bailout in an unequivocally beneficial direction.

**Possible Values of UGI, to be Democratically Set**

Consider first a range of possible values of a democratically set Universally Guaranteed Personal Income (UGI), available to each and every member of a particular democratic society. If a majority of the voting participants of the democratic society voted for a nonzero value for UGI, it becomes of interest to determine just what specific amount of UGI could be said to be in fact the democratically desired amount. As
indicated earlier, the median value of the monotonically arranged distribution of personal preferences is the democratically desired value.

To be specific, we will, with appropriate apology, conduct the enumeration of possibilities that could be considered, with the USA and US dollar in mind. It is emphasized, however, that this same process could/can be productively performed taking into account the circumstances of any country or governmental entity -- from Alaska to Bhutan to Zimbabwe.

Further, while the possible individual preferences could be treated as a continuous variable, a limited number of specific quantized levels will be sufficient to illustrate the conceptual process.

Finally, it is to be noted that ALL of the different magnitudes of possible UGI considered here have in fact been already realized, at one time or another, by one particular individual or another, with various governmental agencies, processes, laws and military/police forces guaranteeing and insuring the supply of the income, one way or another. Specific quantities and appropriate comments follow.

a) ($0/day). That is to say, there is to be NO unqualified, societally guaranteed, universally available personal income. Therefore, among other things, if, for any of a variety of legitimate or illegitimate reasons, an individual does not have any current personal income, and further is loath to or does not have the opportunity to beg, borrow, “get a job,” or steal anything, that individual may eventually or soon starve, freeze, drown or otherwise proceed toward premature death. At least this is highly likely in an economy that boasts of and sets a price tag on everything, from absolute human essentials to extreme hubris and luxury. The current global hunger death toll runs something like 25,000 per day, though it’s difficult to get an accurate count. Then there is all the societal trouble and expense caused by those who are not loath to beg, borrow and/or steal in an attempt to survive or, better yet, live life at a material level ubiquitous advertising suggests and promotes. These good/bad folks can sure cause/increase societal expense! Most definitely, a zero value for UGI is NOT necessarily the least expensive total cost to society for its General Welfare. However, some voting participants may nevertheless desire the UGI to be set at this amount, so it is contained in this list of possible values. And, of course, the amount does have long historical significance.

b) ($1/day). Roughly speaking, about one sixth of the human population attempts to survive on the equivalent of one dollar a day. A dollar a day might make a not unreasonable allowance (guaranteed income) for some kid living in the USA, if the kid’s family isn’t also living in a car. The same amount of UGI would, nevertheless, essentially double the purchasing power of about one sixth of the human population, which no doubt they would put into immediate recirculation, thus becoming, among other things, a “guaranteed effective stimulus package” for the global economy.

c) ($2/day). Roughly speaking, well over another sixth of the planet’s population attempts to subsist on this generous amount, though they may but mostly don’t get it as some governmentally supplied “Handout” or “Bailout.” (Indeed, what is “Bailout” but “Handout” writ large?) Note that this second sixth of the planet’s population, according to contemporary (and temporary) economic theory, which asserts that money/wealth is everything, is living twice as high up on the financial hog as the $1/day folks, and therefore has much to be thankful for, as well as much to be iritated about.

d) ($100/mo). Depending upon just where one is trying/able to live, back in the USA, a hundred bucks a month may be parking change or the one-and-only monotonous-but-necessary meal a day a fella or a gal can eat inside a warm building sheltered from the cold, wind and rain one resides in the other twenty-three hours of each day. For more than a half of the human family, this amount would be much appreciated and gratefully returned, several times over, in societal service and economic stimulation.

e) ($200/mo). As the reader may already know, there is such a thing as “Partial” Basic or Guaranteed Income. While even the range of “Partial” UGI is considerable, surely it (or its serious discussion) starts somewhere around $200/mo, in the context of the USA today. Approximations, here, would include Food Stamp allotments.

f) ($300/mo). This amount would be a step up in the range of “Partial” Guaranteed Income, being essentially $10/day and definitely helpful to all the struggling “Americans.” It could almost be called a “Bailout for the Middle Class.”

g) ($500/mo). Now this possible amount for UGI is, clearly, becoming significant, at least as a “Partial Basic Income” guarantee (with or without conditions) for citizens of the USA and all the other so-called developed countries attempting to survive the perfect storm of contemporary economic theory, practice, failure and collapse. For much of the rest of the world, this guaranteed monthly amount would no doubt be characterized as Utterly Unbelievable.

h) ($1,000/mo). This particular amount of UGI surely is impressive enough to stand up by-and/or itself, to be counted. Some Socialists (whatever that really means) might propose such a level. Some sensible folks might also. Strange world and stranger bedfellows these days!

i) ($2,000/mo). Surely this amount can be and is viewed as a not-unreasonable minimal income for satisfactory and satisfying survival in life, even in the good ol’ USA. Just how COULD society self-organize its economy to establish and guarantee, in some form and in some sense, at least this amount of income or equivalent to every human member of society? If it could, would that be good?
j) ($5,000/mo). Now $5K/mo is starting to get serious, at least for those who are just starting to get serious about a few serious aspects of life. Surely many people contribute to society in excess of this amount and are never rewarded or paid accordingly. And just as surely, many other people receive this amount and much more without positively contributing to society anything anywhere near comparable to this amount, everything considered.

k) ($10,000/mo). $10K/month, guaranteed, by any (legal?) process whatsoever, might be nice, at least if the possibility were universal. Wouldn’t you agree? Though there is the Environment and our children to consider.

l) ($100,000/mo). Actually, a lot of folks do “earn” over a million dollars a year. Some do it with sweat; some do it with brains; some do it with love; and some do it with, apparently, utter contempt for humanity.

m) ($1 Million/mo). When you get in this league, it’s mostly just brains and contempt. These hard-working folks are frequently also the ones first in line for an Economic-Theory-be-Damned Bailout.

n) ($10 Million/mo). Those were the good ol’ days!

o) ($1 Billion/yr). During the computer bubble (a few bubbles back), and more recently elsewhere, some folks actually did “earn,” one way or another, and got to keep (at least pre-tax) more than one billion dollars a year. It is certainly awesome and almost amusing what humans will tolerate.

Possible Values of MAW, to be Democratically Set

Consider now a range of possible values of a democratically set Maximum Allowable Personal Wealth (MAW) limit, applicable to each and every member of this same democratic society. Again, the median value of the monotonically arranged distribution of personal preferences is the democratically desired value.

aa) (∞). That is to say, there is to be NO societally set finite limit on allowable personal material wealth. Just as now! The sky’s the limit -- though the atmosphere is limited. Go for it! Just do it! Just don’t get caught, or develop a conscience!

bb) ($680Trillion). To pick a finite but fairly high number, which is in fact a lower bound and “conservative” estimate of the size of the loss in the value of the Dung Heap of “Derivatives” created by the financial futures game facilitated by uncontrolled and festering cancerous greed and growth. Certainly this amount is larger, by many orders of magnitude, than the personal wealth of any particular individual in any society on this planet, and hence if the maximum allowable personal wealth (MAW) limit were democratically set here, it would not impact, in any direct way, anybody.

c) ($11T). To pick a “round number” approximating some Experts’ estimates of what the initial USA TARP “700 Billion Dollar Bailout” is really going to cost the overworked and underpaid US citizen, whether that Bailout goes for corporate CEO Golden Parachutes or simply upper management hard-earned luxury R&R and other rewards. As is perhaps understood, this $11T total cost of the $700B Bailout is a tally of the present taxes, imposed indebtedness of at least two generations of children, and the inflationary effect of simply printing umpteen billions of US paper money to provide the $700B. And this still doesn’t help any of the poor people; so what’s new? Clearly, this magnitude for MAW would still not directly impact anyone.

d) ($1T). To pick a much reduced and even “rounder number” that still exceeds by well over an order of magnitude the total amount of wealth anybody on the planet presently and explicitly “owns.” Therefore, this level would still have no direct impact on anyone who is “very well to do.” However, such an upper bound on personal material wealth just might give some poor folks (say, those who “earn” or can only steal less than $100K/yr) some Hope for Change that will eventually come when some presently Ultra Rich folks finally do get richer and richer and are in fact eventually somewhat limited by the $1T cap on their personal wealth which, surely, will “trickle down,” drop by drop, to enrich the poverty-stricken lives of the multitudes.

e) ($700B). To pick a surprisingly now-familiar number out of thin air, commemorating President G. W. Bush’s Treasury Secretary Hank Paulson’s initial back-of-the-envelope threepage estimate of what is immediately required to get the US economy shipshape again (without subjecting Paulson personally to any legal responsibilities, repercussions or ramifications whatsoever, whether or not his Three-Pager actually worked).

ff) ($500B). This amount, still very far above the amount of total wealth any individual, or even family, “owns,” and therefore would not be at all limiting to even the Wealth of the Wealthiest, nevertheless might provide an incentive for some of the Ultra Rich to start thinking new thoughts.

g) ($100B). Now while this particular possible maximum allowable personal wealth (MAW) limit would (to my knowledge) still be considerably larger than what any particular person presently “owns,” some families, and especially some “extended families,” might see that the limit, while not directly impacting themselves immediately, nevertheless might require or cause a change of course in their future planning, actions and contributions to humanity’s sustainable development.
Democratic Resolution of Socioeconomic Problems

As described at length elsewhere [see, for example, 1, 2, 4, or 44], Socioeconomic Democracy would thus both create economic incentive and provide necessary funds to effect significant reduction in an almost surprisingly diverse array of unnecessary yet painful individual, societal and global problems. These intimately intertwined problems include (but are by no means limited to) those familiar ones involving: automation, computerization and robotization; budget deficits and national debts; bureaucracy; maltreatment of children; crime and punishment; development, sustainable or otherwise; ecology, environment, resources and pollution; education; the elderly; the feminine majority; inflation; international maltreatment of children; crime and punishment; development, sustainable or otherwise; ecology, involving: automation, computerization and robotization; budget deficits and national debts; bureaucracy; sick medical and health care; military metamorphosis; natural disasters; pay justice; planned obsolescence; conflict; intranational conflict; involuntary employment; involuntary unemployment; labor strife and strikes; sick medical and health care; military metamorphosis; natural disasters; pay justice; planned obsolescence; political participation; poverty; racism; sexism; untamed technology; and the General Welfare.

It must be kept in mind that these highly desirable reductions in acknowledged societal problems are not simply “Goals for a Better World.” Rather, they are the direct and predictable ramifications of adopting various forms of locally appropriate Socioeconomic Democracy.

Below is sketched some of the desirable impact of Socioeconomic Democracy on a friendly baker's half-dozen of these much-more-than two dozen serious societal problems which SeD would/will significantly reduce -- simultaneously. It is emphasized that the properties, implications and ramifications of Socioeconomic Democracy outlined here are admittedly and unquestionably only partial sketches of portions of the desirable impact of a democratic socioeconomic system on society's many serious misunderstandings.
Confident that anything, taken to extreme, turns into its opposite, and that all things are related, and therefore "leads" the rest of the industrial nations in the high rate of child poverty, or in the rest of the world, where many children in many countries labor and languish, malnourished and mobilized for war, the right to, and the desirability of, a healthy childhood is as violated by the long reach of contemporary economic systems as by most all past economic systems.

Whether children are forced into slavery, corporate profit-motivated labor, prostitution, or crime for survival on the street is the shame of us all. It should be clear Socioeconomic Democracy would go a long way toward eliminating the violations of the rights of children -- nationally and globally, and for a variety of reasons.

SeD would ipso facto reduce undeserving debt and a filthy-to-toxic environment saddled upon future generations of children because of the excesses, cowardice, stupidity and/or simply relative unconsciousness of past and present generations of adults and economists.

Crime and Punishment. While there certainly are Many Faces of Crime, it should be immediately clear that SeD is capable of democratically differentiating between Crimes caused by Need and Crimes caused by Greed. Certainly, SeD can and does eliminate need (at least as democratically determined) and therefore any and all crime caused by it. At long last, society could really get tough on the remaining crime mostly caused by greed, without worrying at all about any possible twinges, pangs, outrages of conscience or expressions of concern for those committing "crime" out of need.

It can even be anticipated that overwhelming majorities of law-abiding, sensitive citizens might coalesce to form a consensus supporting a solution to the far more important and harmful crime problem (crime caused by greed) by throwing all people apprehended and found guilty of crimes caused not by need but by greed into a jail equipped with only such amenities as can be afforded by the prisoner's forfeited UGI during his (or her) residency in jail. This, as opposed to presentday Country Club Confinement currently reserved for many wealthy and successful corporate criminals and government officials convicted of crimes of greed.

The sheer terror (that good ol' "economic incentive") often associated with being fired, laid off, terminated, downsized or outsourced in a global market where there are far more people than worthwhile jobs would, of course, no longer be experienced with SeD (since at least the individual's subsistence needs would be guaranteed, with UGI). Hence, far fewer people would become so desperate, distorted and "demented" after being fired or laid off (for any of a variety of reasons) as to massacre former employers, fellow employees, innocent bystanders, shoppers in malls, citizens in Post Offices, school children in schoolyards and schoolrooms and college children in colleges, ad infinitum.

Perhaps needless to say, the contemporary "growth" and presently profitable Incarceration Industry (profitably responding to an obvious need!), most notable in the USA, and devoted in the USA to attempting to warehouse (certainly not rehabilitate) the highest number and proportion of incarcerated individuals on this glorious globe, could and would be reduced, with surprising billions saved. Indeed, the present cost of one prisoner in jail (food, clothing, shelter, medical care, education, supervision, gym equipment, etc.) is far more than society "freely" provides its hard-working, law-abiding, honest and well-intentioned citizens. The fact that that doesn't "figure" figures, considering contemporary socioeconomic systems and the malignant economic incentives they can create.

It is true that the USA Incarceration Industry might be expected to take a "hit" from such a policy, but again, there is the democratically set UGI to provide at least sustenance for all the no longer needed Human
Conservation (from that good ol’ word “conservative”), enticingly promoted by transformed and redirected corporations, aided and abetted by slick-and-thin advertising, would be transformed into a Gospel of corporations operating in a democratic society with a democratic socioeconomic system dedicated to the profit, by means currently legal or otherwise, at the expense of significant environmental pollution or allowable personal wealth would no longer be economically motivated to attempt to generate personal maximum allowable personal wealth limit. Any self-interested, rational participant at or near the upper bound complement other existing products and processes. All this contributes to the well being and welfare of to demand nonpolluting products from industry and even products and processes which ecologically allow more people to refuse to buy the significantly polluting products of industry. Pollution is thereby reduced even further. Fourth, this democratically set universal guaranteed income would allow more people to demand nonpolluting products from industry and even products and processes which ecologically complement other existing products and processes. All this contributes to the well being and welfare of everyone and everything – including the environment, solid, liquid and gaseous.

Consider next one of many basic beneficial effects on pollution of a democratically set and adjusted maximum allowable personal wealth limit. Any self-interested, rational participant at or near the upper bound on allowable personal wealth would no longer be economically motivated to attempt to generate personal profit, by means currently legal or otherwise, at the expense of significant environmental pollution or damage, i.e., at the expense of other members of society.

This Elimination of Unacknowledged Externalities and the Economists who ignore them will profoundly improve the clean-up process.

This is because society could pay for the added costs of properly cleaning up the pollution with funds obtained by democratically reducing the allowable wealth limit even more. Further, such societal control would be most effective because it would be operating at the source of the pollution, rather than attempting to repurify the total volume of the polluted medium – a societally expensive suggestion frequently offered by those proposing to manufacture and market technological fixes.

The Gospel of Consumerism, catchingly (and now, desperately) scored by presently motivated corporations, aided and abetted by slick-and-thin advertising, would be transformed into a Gospel of Conservation (from that good ol’ word “conservative”), enticingly promoted by transformed and redirected corporations operating in a democratic society with a democratic socioeconomic system dedicated to the General Welfare of All.

It remains to be seen if the color green will prove to be anything other than another campaign slogan, political or corporate, pitching for a sell to a segment of the demographics. Of course, the appropriate primary purpose of any current serious Green Political Party, which necessarily implies now being a “minority” party, is not to win elections so much, though that can be encouraged and encouraging, as to interject intelligence and synergetic new ideas into the stumbling and bewildered contemporary public political discourse.

Feminine Majority. Socioeconomic Democracy clearly satisfies numerous legitimate demands articulated by or for the feminine majority of humanity. For example, SeD would guarantee all people the opportunity to participate meaningfully in the socioeconomic sphere. All poverty, including the major portion experienced by women (and their children), would be eliminated democratically.

No longer would there be such a thing as “unpaid labor.” Indeed, guaranteed income for all would cover all women who frequently labor totally unpaid to bear and rear the prevailing patriarchal politico-socioeconomic system its next generation of laborers and warriors. Thus finally would matriarchic nurturing be acknowledged as crucial to human existence, survival and sustainable development, not in more glowing words but with something a little more substantial. If it is the democratic preference of a particular society, SeD certainly could cover all human embryos (female and male), regardless of, or depending upon, the circumstances of conception. In any case and far more importantly, with all women guaranteed some measure of economic independence, SeD certainly would dramatically reduce the number of unwanted, unnecessary or harmful pregnancies and births. Hence, the desire of those who claim a “right to choose” would converge with the desire of those who currently claim a “right to life” but evidently merely mean at present a “right to birth,” regardless of the lifetime of consequences.

Democratic set guaranteed income for all would be the universal safeguard against any significant economic hardship experienced by anybody (most often by women and children) as a result of changing family relationships. No longer would a woman -- or a man -- be forced to prostitute herself -- or himself -- in order to obtain what a majority of the members of society consider a satisfactory subsistence.
Highly priced prostitution, in the oldest as well as all more recently established patriarchal professions, including economics, would also tend to be reduced, as the interested reader is urged to thoughtfully and thoroughly verify for herself.

The democratically set, universally guaranteed income would be available to all older women who require it and the democratically set maximum bound on personal wealth would provide economic incentive for the still rich, famous and powerful to cause meaningful, acceptable and satisfying work to be made available for all older women who desire it. International Conflict. The enhancement of societal well being made possible with Socioeconomic Democracy ipso facto provides an effective and positive deterrent to international warfare, here assumed undesirable and to be eliminated. The simultaneous resolution of a large number of these other serious societal problems, as described here, eliminates at once many causes of, and perhaps more importantly, many excuses for, war. Beyond this, other significant beneficial effects can be anticipated. For example, those participants in the democratic socioeconomic system who are personally at or near the societally set upper bound on allowable personal wealth would no longer have personal economic incentive to promote war or military intimidation, whether involving their own country or other nations.

They could no longer gain personal wealth by such action and could well lose it, especially if their society democratically decided to further reduce the allowable personal wealth limit to help finance involvement in any necessary hostilities.

Democratically set, societally guaranteed personal income for everyone also provides many direct deterrents to warfare. Among other strong effects, it would eliminate any economically "handicapped" class, which, of course, has historically provided warring nations with a convenient pool of combatants. Such guaranteed income also solves the very real and almost always neglected problem of necessary income for all those who presently derive their personal income and wealth from warfare, its threat, preparation, propagation or promotion, either directly or indirectly.

All this reduction in "war" makes available, among other things, needed funds for Sustainable Development for All. Far more importantly, perhaps, it provides a fundamentally different and far healthier Mindset for Humanity. Nonkilling societies could not only be conceived but also realized, with Nonkilling Economics [See, in particular, 43].

Yet if some war is absolutely "necessary," both democratically set MAW and UGI bounds, and the economic incentives they create, would go a long way to insure that all military personnel are provided adequate care (financial, medical, psychological, educational, therapeutic and otherwise) to meet their requirements while attempting to salvage a deservedly respected, dignified and healthy life, both during and after their military service -- as opposed to not uncommon current conditions and practices. The (all wars) veteran suicide rate, estimated to be about 18 per day in the USA, but certainly a universal phenomenon, is to be expected considering contemporary socioeconomic systems and the economic incentives they create. That same suicide rate could be essentially eliminated, with Socioeconomic Democracy.

Medical and Health Care. We have elsewhere observed that some universal guaranteed medical and (for efficiency's sake) health care is a very real form of (partial) UGI -- as is universal schooling. When the amount of UGI is democratically set, the amount could be adequate to provide and guarantee, individual and societal, physical and psychological health.

We here merely observe that SeD (especially the democratically set MAW limit) would encourage and cause a desirable and fundamental metamorphosis in the economic motivations and incentive within the medical professions and much more importantly within the medical business professions (economically motivated, as they are, just as most every other business), which currently frequently attempt (and are legally bound) to package and provide medical, dental, pharmaceutical and psychotherapeutic care primarily for personal profit, rather than overall societal health.

Conclusion. The interested reader is urged to develop and extend for herself the ramifications and implications of Socioeconomic Democracy in those areas of particular personal interest. Contemporary socioeconomic systems are truly prolific so far as producing problems; work remains to be done. Then, of course, there is the whole new realm of desirable future democratic possibilities, which beckon and beg to be thought about, explored and satisfyingly lived.

Amusing and Thought-Provoking Exercises

Two related though individual purposes of this article are, first, to act as an introductory vehicle to facilitate polls to determine what various people might think are appropriate magnitudes for UGI and MAW in their democratic society, and second, to act as a conversation-starting mechanism among individuals to allow and facilitate in-depth discussions of what these two boundaries really ought to be, in a locally appropriate context. To initiate the process, consider the following questions.

1) If the issue of the establishment and setting of the two crucial boundary parameters of Socioeconomic Democracy were considered on, say, the 2012 Ballot, and (again with apology) maintaining the rigid mindset of and on the USA and the US Dollar, which of the possible settings of UGI and MAW
enumerated above would YOU be most comfortable with, think most appropriate and vote for in a democratic election?

2) (Maintaining the positive attitude), after that faithful voting day in 2012, which established Socioeconomic Democracy and its initial democratically set tolerable bounds on personal material poverty and opulence, what do you think would be the actual resultant democratically established UGI and MAW values? How would your personal preferences for the magnitudes of UGI and MAW compare with or differ from what you think would actually be democratically established? Why the difference?

3) What countries (about this glorious globe and polluted planet) do you think would benefit, significantly, if a locally appropriate form of Socioeconomic Democracy were established in that particular country? What if some locally appropriate form of SeD were established in any of the countries geographically adjacent to the country you have in mind? If established in all the surrounding countries? If established in the rest of the hemisphere, continent or chain of islands?

4) What would/could be the locally appropriate forms and tolerable bounds on material poverty and opulence in the countries considered in the previous questions?

5) What other questions are to be asked?

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The Art and Philosophy of Constantin Brâncuși’s Balance

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Key words: Brâncuși, aesthetics, philosophy of art, Romanian XX Century art

Abstract: Our paper intends to be an attempt of making evident the joining of the art and the philosophy of Constantin Brâncusi, the most outstanding representative of sculpture in our century. The way of approaching this topic was suggested to us by the great artist and thinker himself, who urges us that we should not make difficult what he expressed in a simple way. Of course, his multipurpose creation makes our job quite difficult, but we think the effort is worth doing, because in spite of all the limited commentaries, we succeeded in finding out the coherence and the universality of his thinking as well as his capacity of placing himself above the eleatism—heraclitianism dispute which is considered as being fundamental for the whole history of art. That is because there exists, and we can speak about a unity of his works in all, based on the solidarity of the forms of his sculpture. As a result, mixing up the formal entities with the deviations from the principles of identity and non-contradiction in the discursive logic, we discover another type of logic in his creation. It is the logic of the metaphorical thinking, of the symbolic thinking based on the principle that anything can be something else in the same moment. This is why the aesthetic commentary, concerned with the modality of the suggestive expression, requires a complementarity of a hermeneutics of the symbol, capable of revealing the intention of the work in its complexity. Therefore, our attempt of considering the symbol of the ovoid as the keystone of Brâncusi’s philosophical conception appears to be verisimilar. That is because, from the archetypal perspective, according to the archaic Romanian philosophy, the egg is just the in-between shape (between en the spherical and hourglass, between geometric and biotic, between eleatic and heraclitian); it is the element by which the formal-aesthetic analysis can be unified; it is the synthesis of the opposites and the joy of the equilibrium.

Motto: “All dilemmas can be solved by unifying the contraries” (Brâncusi)

We must admit that to a certain degree all the great artists are also philosophers, at least by emerging the philosophical thought through their works. The truth of this statement proves to be real with Constantin Brâncusi the greatest representative of the 20th c. sculpture. Thus, as far as many critics are concerned, they are fully convinced that the shapes of the works of Brâncusi have a sublime artistic value because of their philosophical expression.

Despite this, taking Constantin Brâncusi as both an artist and a philosopher may stir up spirits among aestheticians. We should not forget that this idea is imposed by evidence that on discussing Brâncusi’s artistic works, a unique philosophical commentary is also implied. Besides, his genius has given the world of the old ideas and universal truth a new light, has brought the myths to the contemporary thinking and acceptance by shaping them in new spiritual forms.

So, we witness the tendency of turning art towards intellectual bias on the one hand, and to sensual dimensions. So, from an epistemological perspective we should not consider any more a serious limitation between the artistic knowledge and the philosophical one. Actually, it is about a real concern of modern culture for ontology and implicitly for gnoseology, concern that was fully characteristic to Constantin Brâncusi. Starting from this obvious cultural reality, we are going to focus on the main philosophical ideas that make Brâncusi’s genial sculpture. We are doing this without any personal vanity, but with the pride of Being Romanian, thinking about the gain, which the philosophy of art gets by using these ideas.

The way of our acting is suggested by the great artist and thinker himself who committed himself upon the idea that what is genial is simple either. Even his pieces of work warn us against looking at them
tired of everyday routine of living, but setting us free for a while, so that we could have elevated feelings, taste the flavor of the rest, step in the vibrating silence of contemplation. That's because Brâncusi reveals the core of perfection in profoundness. The lyrical facets of his works invite the admirer to the philosophical agora of his ideas. One cannot penetrate the universe of this great artist unless one gives up vanity. Simplicity taken out from profound ideas and messages leads us to innocence and spiritual heights.

1. Mention should be made that most critics resort to notorious philosophical doctrines, either old or modern, but most of the time heterogeneous ones in commenting upon his works. Though these hints do not take in view his art as a whole complete system of thinking, they could not be neglected either. So, let's have in view the sculptures that are part of the town environment—The Endless Column, The Gate of the Kiss and The Table of Silence by which the artist and the philosopher marked the relationship between his native town and the universe.

The Endless Column, about which Ossip Zadkine says that "it will stay as the symbol of the thought that wants to get free from mediocrity and get higher at the heights of philosophy"—summarize more comments of many critics that consider the Endless Column either a form with folkloric roots, or, the symbol of life, or that of death, or the representation of a philosophical abstraction.

Settled on an area which is very familiar to myths, art and philosophy, The Endless Column has become a national and universal symbol in which the conception about the endlessness merges with the idea of time and space cyclical. Just as Mircea Eliade stated before, Constantin Brâncusi’s sculpture represents the image of the world axis (Axis Mundi), which is a theme found in prehistoric Romanian folklore. By connecting the Earth with the Heaven, The Endless Column inspires trust in the correctness and in the profoundness of human thinking and in the endless succession of cyclicity. When contemplating it one surely aspires towards perfection, feels the thirst for the absolute, sets himself free and experiences the feeling of self-trust and the joy of being part of nature. So the philosophy of The Endless Column is one of balance, of serenity so common with the Romanian way of thinking meant to connect the East World with the West.

The Gate of the Kiss placed in his native town of Targu Jiu stands for the theme symbol mentioned above and for the artist’s understanding of reality and art. The critics interpret this piece of art either as a country gate or as a representation of the wedding or of death or, as a philosophical abstraction.

A noticeable fact is that The Gate of the Kiss is the only piece of work until then with decorated surfaces, which stands for its folkloric roots. This does not mean that the work has no philosophical connotation. Watching carefully the works of this series we can see that there is an ever deeper stylistic evolution of expressiveness and a simplification of the forms to such an extent that the two eyes at The Gate of the Kiss have become only one under the form of a circle. In this case the message belongs to essence. Referring to the work "The Kiss" in 1907 the artist says: “Actually I didn’t mean to make a sculpture that could symbolize one certain couple, but, to symbolize all couples that have ever loved on this earth, I mean the idea of a loving couple.”

Sidney Geist one of the most famous expert on Brâncusi’s works comments upon The Gate of the Kiss; "The theme of this work is love a communion supported by sexual energy. The circular motif from the column meet the high curved surfaces, from beneath the linto in order to create a magic image of united male a female genital organs. The surfaces are curved to the interior parts and the jut of the split circle from above could be interpreted as the repeated movements when having sex.

Together with other critics Sidney Geist appreciates The Gate of the Kiss an extreme stylization of this motif and the result of a serious effort in thinking, after a long series of elaborate versions, a real philosophical expression in art of our century. As a support to the above-mentioned ideas is the fact that the artist's conception about love is preserved with an area of a great archaic beauty, where nature and good sense formed a balance of the necessary but compensating asymmetries. The stylization of the eye, actually of the two eyes together symbolizes the looks of both, (eyes or the two individuals of the couple) united in a perfect sphere that suggests eternal, love, an imaginary bridge between un-forgetfulness and happiness projected into future. Though less frequently talked about by the critics, The Table of Silence suggested many interpretations a symbols: first a country feeding table, them the symbol of family, the wedding dinner, or a funeral feast and at last but not at least a philosophical symbol. The aestheticians appreciate this work as an opportunity or a modality to show the manifestation of constructivism in art, as it was conceived at the turning of our century—useful domestic objects. Sidney Geist was the critic that revealed the philosophical dimensions of The Table of Silence. He wrote: "The table with the 12 chairs could be interpreted as a cosmic centre surrounded by its satellites just as the sun and the

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1. Zadkine, O 1957
2. Eliade, M 1967, p. 15
3. Zarnescu, C 1980, p.120-121
4. Geist, S 1982, p.74
twelve months, or as the signs of the zodiac, or as Jesus Christ and his Apostles, or the symbol of family—mother and the children etc. ..."\(^1\)

*The Table of Silence* is the symbol of harmony, its main dimension being the silence as a sign of non-conflict, of solidarity, equality and balance. Being a metaphor, the message of *The Table of Silence* could sound like this: "People can see the world as a fatal pyramid; and they crowd inside to reach as high as they can—for which they harm each other and feel very miserable... It would be better if people could live horizontally just like leaves of grass."\(^2\)

2. Now, we should have in view more important critical issues that demonstrate that the artist’s work is conceived on a solid philosophical basis, having a real, well expressed theory. This versatile aspect of Brâncusi’s artistic creation makes more difficult a profound and complex study of his sculpture and of the philosophy that on which his creation is grounded. Most of the critics were concerned with the manner in which movement and evolution are two important elements in his creation. Ion Pogorilovski writes: "...many people associate Brâncusi’s art to Greek vision a conception; many other people claim to be an outcome of heraclitean philosophy."\(^3\)

Referring to Brâncusi, Mircea Deac writes: “He saw people, nature, society, the universe as being static isolated elements—He analyzed them with a metaphysical eye, without any concordance between them. Brâncusi did not conceive movement as being an essence of reality, of nature and society—he did not notice the permanent transformation of nature, of society, and, he did not understand the contradictions that determine movement and transform the world.”\(^4\) In the same way writes Mihai Tarangul: "What nature never finishes, becomes complete, finished in Brâncusi’s works. This works are free of any constraints. They are hanging in a permanent balance without any support."\(^5\)

On the other hand, Brâncusi is considered a creator concerned with the heraclitean theory of movement, of flight and evolution. Stressing almost the same idea, Rene Huyghe notices that Brâncusi’s art is much concerned with revealing the core of life, its essence, and its energy. He goes on writing: “this sculpture could not help pointing this amazing vitality, this tremendous energy; and Brâncusi seems to be a forerunner among the artists in this respect. He did not limit himself like Carpean or Rodin to express the static element by designing the movement; much more than that he expresses the generating principle of the movement...”\(^6\)

It is worth remembering that Brâncusi himself placed in his studio in Paris several pieces of sculpture on rotating stands which enjoyed face in his time. They say that the artist thought of setting even *The Endless Column*.

So could we categorize Brâncusi’s sculpture as being eleatic or heraclitean? We suppose we could not. Because the permanent endeavor of the artist who is a philosopher at the same time, was to reveal the movement, the evolution, and the tendency to give up the “static” elements of sculpture. Being at the same opinion, Eugen Schileru writes: “The coincidence of the opposite elements, the air of being both eleatic and heraclitean at the same time, of supreme peace have never gone better together with the impression of fluidity than in Brâncusi’s work.”\(^7\) The Romanian philosopher Constantin Noica writes a more competent critical paper on Brâncusi’s creation: “...for the country boy from Hobija, sculpture is no more the art of the humans, but, it is a strange evolution, becoming, which we could identify as being an evolution towards life. Exactly as according to the Romanian concept of being, the artist makes in such a way that the non-movement in his creation is shaking. Ever since Plato’s time they thought of a kind of reconciliation between Parmenides and Heraclits, but this reconciliation meant compromises on both sides. Symbolically Heraclit is one and the same with Parmenides even if, historically they were opposed; and Brâncusi does not say about all these, he just lays it in front of our eyes.”\(^8\)

Referring to geometrical (abstract), or biotic (dedicated to vitality) forms in his sculpture, being either spherical or under the form of hourglasses, critics appreciate all these as being a serious matter in itself that requires special research.

For a better understanding of these assumptions we should not forget that Brâncusi expressed his philosophy in artistic works, in the language of forms though he wrote a few aphorisms. That is why his artistic creation is supposed to be enjoyed and understood “only if we give up the false superficial manner of logic conscience which may lead to misunderstanding.”\(^9\) A famous philosopher of culture, Wilhelm Warringer states that the artistic emotions and esthetic experience have a dual characteristic: “on the one hand we

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\(^1\) Geist, S 1968
\(^2\) Zărmescu, C 1980, p. 166 - 167
\(^3\) Pogorilovski, I 1976, p.144
\(^4\) Deac , M 1962
\(^5\) Tarangul, M 1967
\(^6\) Huyghe, R 1965, p. 243
\(^7\) Schileru, E 1971, p.155
\(^8\) Noica, C 1996, p. 181-182
\(^9\) Paleolog, V.S. 1938
have the tendency to abstractionism and on the other hand the instinct of intropathie. In these terms the sculpture of Brâncusi is situated beyond all disputes and artistic movements. Jack Burnham appreciates that a series of Brâncusi "works are very representative by being both geometric and biotic." Therefore we should be very analytic when having in view Brâncusi's philosophy in order to be able to decipher the message of his artistic forms, to be able to hold the key of his art. The unity of Brâncusi's art consists in the unity of the forms of his creation. Because the artist has his own logic according to which everything can be at the same time anything else. Or this metaphysical thinking was wonderfully transposed in his sculpture. So, when studying modalities in fine arts, we have to study the hermeneutics of the symbol, which can reveal the message of the artistic creation.

Brâncusi advice: "unite write all forms in only one and make it alive" has become a main point for all critics that wanted to search a generic form for all his works. In 1921, Erza Pound wrote: "I really don't know how to interpret these ovoid forms of Brâncusi with the rest of his creation, but I say that these may be the key to the world of artistic farm." We would say that we could interpret in the same manner the egg, as being a key of the artist's philosophy in itself. The egg is an intermediate form between spherical and hourglass forms typical to archaic Romanian and culture; between the geometric and biotic elements, between eleatic and heraclitean; it is the element by the help of which one can reunite the formal-aesthetic analysis and the philosophical hermeneutics; it is the synthesis of the contraries, it’s the joy of balance.

3. To conclude, Brâncusi "belongs", as Carola Giedion-Welcker puts it, "to both eastern sensitiveness and thinking and to the Mediterranean one." The philosophy of his art drives us towards the impulse of destroying the forces that annihilates vitality, towards our tendency of synchronizing our self with the universe, towards harmony, serenity, wisdom and joy. Brâncusi transmits into the language of modern people a very old philosophy just as Giulio Carlo Argan says: "Brâncusi is first of all a philosopher in the most proper sense that word used to have in antiquity." In his aspiration towards world/universal harmony, he fed on the sap of the ancestral thinking of the Romanian people. Prehistoric art is enlarged with new echoes and meanings, with new motifs having international echoes. Brâncusi's artistic creation is founded on constant moral values: balance, a profound sense of boundaries and peace of the self. Just as Brâncusi said: "Romanian country people know very well what is good and what is wrong. Their moral values are inscribed in proverbs, traditional customs and old wisdom."

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The Sense of History in Malcolm Bradbury’s Work

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Keywords: realism, metafiction, Thatcherism, liberalism

Abstract: The postmodern fiction and criticism have regarded history as an enfant terrible of our age, either treating it as a finished project or revisiting it and finding each time new associations and connotations. The cultural and literary aspects of Britain’s contemporary history are lucidly and realistically depicted in Malcolm Bradbury’s fiction and criticism. The two aspects of his work blend in a homogeneous mixture offering him the possibility to analyse the phenomenon both with the objective scrutiny of a chronicler and with the inventive, ludic quill of the writer.

What we aim is to analyse the manner in which postmodern critical theory reconsiders history as an abstract concept but also as a scriptural recording and the manner in which literature has registered all these phenomena in a more or less realistic manner, in a parodic or metafictional manner.

Our paper also aims at presenting the manner in which his critical works registered the history of England and America decade by decade, the manner in which he theorized upon the literary principles that helped the making of a new type of fiction which cannot evade history, but also the manner in which his novels represent vivid, realistic portraits of the age they depict and the manner in which they manage to create characters that are a perfect reflection of the age they inhabit, cultural products of the great machine that history is.

Motto:
History is a theme park. Nothing is wasted.
(Malcolm Bradbury – To the Hermitage, p.28)

1. History – a finished project (?)

Political history has always dictated a new trend and direction in the epistemological dimension of life, fiction or criticism. Why then should there be voices that state that history came to an end? Is man living in time but outside of history?1 Some voices simply hail the secularization of history or the postmodern manifest entitled “suspicion of historical chronology”2 because it has now become an anthology of diverse styles and traditions. Others state that we do not feel history for we have passed beyond it propelled by the acceleration of technology and media. Terry Eagleton advances three possible hypotheses for the actual ending of history3: we either have triumphantly solved all of its problems, or we perceive them as pseudo-problems, or we have given up the task of solving anything all together. Francis Fukuyama has his own theory regarding the end of history – this seems to have been caused by the achievement of the ideals of universal freedom and justice.4 Malcolm Bradbury himself quotes Fukuyama in The Modern British Novel with his theory of the introduction of a new theory of the new world (dis)order:

What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind’s

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ideological evolution and the universalization of Western liberal democracy as the final form of government. (p. 447)

Bradbury seems to agree to this assertion and the triumph of the values of free society, the independent nation and the humanist self but concludes that by the beginning of the nineties these had started to wane.

While Fukuyama’s theory is debatable, one thing is for sure – perceived as first or last, modern or postmodern man is culturally constructed and historically conditioned, so how could we speak about the end of history? What comes in its stead? Others claim that we assist a “crisis in historicity” which dictates a return to the organization of time and temporality because nowadays a purely historical novel can no longer set out to represent the historical past: it can only “represent” our ideas and stereotypes about the past (which thereby at once becomes ‘pop history’). […] If there is any ‘realism’ left here that is meant to derive from the shock of grasping that confinement and of slowly becoming aware of a new and original historical situation in which we are condemned to seek History by way of our own pop images and simulacra of that history, which itself remains forever out of reach.²

This is the reason for which in postmodernism we assist a feeling of loss of the past, a feeling of replacement with all-pervading (non-)values of the present and a retrieval of the past only as a fad of fashion. Thus, it was said that postmodern fiction merely reproduces the past as nostalgia, transforming history in another good to be consumed on the new market. History was denied a true existence in postmodern fiction because of the new linguistic referentiality that severs the work from objective historical reality. More or less artistically, Malcolm Bradbury observes that

we belong […] not to Age of History, but to the End of History. Ours is no longer a time of ideology; in fact it’s the Age of Shopping. Politics have turned into lifestyle, Star Wars to Nintendo, history into retro. (To the Hermitage, p. 86)

In The History Man too Bradbury observes that “history itself seems momentarily to falter and stop” (p. 1) as the world is caught in daily chores, occupations and routine and because the new generation and typology of “passionate, liberated, consciousness-conscious” (p. 4) living-on-the-spur-of-the-moment people cannot feel the pressure of a past history but only live in the present. The only history written in contemporary times seems to be the one dealing with “relevant forms of interaction” (p. 6) working under the principle of creative mixture in an attempt to create the (not grand) narrative of the individual as “true citizens of the present”. (p. 2)

Only Linda Hutcheon attempts a fervent reinstating of history in its rightful place by underlining the double process of using and abusing history. Postmodern fiction problematizes the making of both fiction and history, thus denying neither.

Despite the more or less contesting debates of this notion, theorists seem to agree that there cannot be any full denial of the presence of history in our lives, art and politics or any other aspect. The human being or a nation cannot renounce the search for history as it cannot renounce his/ her/ its defining of or search for cultural identity. The more logical conclusion would be that:

What postmodernism refuses is not history but History – the idea that there is an entity called History possessed of an immanent meaning and purpose which is stealthily unfolding around us even as we speak.³

The kind of history which is being promoted is one of “plurality, free play, plasticity, open-endedness”⁴ leaving space for a free movement, multiplicity of meanings and overlapping of registers. Paradoxically enough this thing had been anticipated in a study dating as far back as 335 BC. Aristotle in his Poetics had established the differences between the poet and the historian, by giving credit to the poet for he writes not “of what has happened”, but “of things that might happen”⁵ treating not particular facts as the historian does, but universal truths. It is perhaps in this final concept of “universal truths” that Aristotle ceases to be “postmodern” in his thinking, but otherwise, forcing the comparison a bit, he is not far from Lyotard’s theory which expresses his disbelief in the mission of the historian and heralds the end of history. This notion does mean, of course, that life has ended and that future will not come, but, as Keith Jenkins puts is, rather that we have surpassed now the manner in which the past was historified⁶, we have gone beyond the seduction of the past. Thus, the production of events has not stopped, but our need to narrativize them has. The postmodern novel registers a shift from using mere historiography between its pages (as “the transcription of past events into some kind of narrative”)⁷ to using rather historicity which “involves the interior temporality of

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² Ibidem.
³ Terry Eagleton, op. cit., p. 30.
⁴ Idem, p. 64.
⁶ Keith Jenkins, op. cit., p. 57.
any historical referent or element of being but participating at the same time to some extent to the making of cultural history.

Thus, some critics posit that it is not that history does not exist anymore in postmodernity, but that it is regarded differently. Some see it “a tale of progress” – a presentation of the evolution of the state of affairs or of the artistic and political matters, not on a universal scale, but at the level of smaller, finite histories; others consider it “a story of struggle, scarcity and exploitation” – they insist mainly on the belligerent or activist side of history; and last but not least there are the ones who consider it as lacking any plot as most of the postmodern texts. One way or another, these texts cannot truly evade history because in the attempt to paint an unhistorical picture they build a metanarrative which bears the traits of the very grand narrative they had been trying to disown and this because the unilinearity, the progressiveness and determinism of history cannot be evaded let alone broken. What is broken however is its fixity and sense of closure of each of its episodes – nowadays it has become “a galaxy of current conjectures, a cluster of permanent presents” which vouches for its mutability, and open endedness in the fuzziness of contemporaneity.

Other times, history was fashionably promoted on account of the popularity of a particular cultural trend at a particular time, but this process of overhistorisizing brought with it an underhistoricizing since it flattened out varieties and complexities. Postmodernist history brought a new dimension by manifesting as a “unidimensional” entity which squeezes the stratified structure of time “for the sake of the short run, the contemporary context, the immediate conjecture” the most-up-to-the-minute report of events, shifting “from the written text to a vast infoculture” in which it is seen as a spectacle. The artists want to stress the importance of now, characters seem to be living in a sequence of permanent nows not seeking anymore for a support and confirmation in the past and not (necessarily) thinking of a future purpose.

2. Postmodern fiction – history revisited

Motto:

History is a fickle mother, and sometimes she is bad father as well. (Malcolm Bradbury, Why Come to Slaka?)

One constant, almost universally accepted truth has been the one that history is repeating or it is even being brought back as postmodernism seems to have frequently visited the past “as a ‘dialogic’ space of understanding and self-understanding” in order to illuminate the present. Malcolm Bradbury and Richard Ruland announced this in From Puritanism to Modernism in which a survey of American literature revealed for them that our critical philosophies of structuralism and deconstruction were not just explorations but revelations of our awareness both of philosophical and historical indeterminacy – ambiguous, half-destroying products of an age that needed to replenish itself by turning toward the future while recreating what was salvageable from the past. (pp. 392–393)

They discuss this phenomenon both historically and artistically – from the first perspective any age brings with it some events backgrounded onto the same large frame – “human beings have systematically injured, plundered and enslaved one another” and “history, for the great majority of men and women who have lived and died, has been a tale of unremitting labour and oppression, of suffering and degradation.”; from the second, it can be observed that “today more conservative styles return to fashion, intellectually and artistically through experiment”. (p. 393)

These phenomena are most of the time rendered in postmodern fiction, termed by Linda Hutcheon “historiographic metafiction”, ironically, or by means of fragmentation, in a mixture of magical and realistic events, with unreliable narrators instead of reliable chroniclers telling the story. Built mainly as a parody of earlier literary and historical works, postmodern fiction “challenges traditional ideas of narrative construction, verisimilitude and historical truth.” No matter that it is done under the form of a parodic presentation,
history is revisited and brought back within the novel. Malcolm Bradbury asserts firmly that the fall of the Berlin Wall in 1989, very often taken as a temporal boundary for the beginning of a new era, did not bring history to its denouement: “this was no End of History, but a return to history.” (“What Was Post-modernism?”, p. 763) And we consider that he speaks here of history in the traditional way not through the perspective of Eagleton’s or Fukuyama’s theories of history as a not universally accepted grandiose entity. Bradbury does believe that history, especially when used as a mirror of and for the present, still has some lessons to teach. He may have been a nostalgic, but he also may have aimed at adding through such a strategy to the efforts that writers, as educators of the spirit, have to make so that the postmodern man might come back to previously discarded values so as to find a balance in the heavily technologized, commercialized world.

These are the bases on which Malcolm Bradbury builds his new people of Slakans in *Rates of Exchange*, these are some aspects presented in *To the Hermitage* through the figure of Catherine the Great of Russia and this is what he seems to have wanted to do in his unfinished novel *Liar’s Landscape*. So as to support such a perspective here is how he presents the making of people of Slaka in *Rates of Exchange*:

> It is a land that has frequently flourished, prospered, been a centre of trade and barter, art and culture, but has yet more frequently been pummelled, fought over, raped, pillaged, conquered and oppressed by endless invaders. (p. 1)

After reading the entire novel this perspective proves to be highly parodic but this does not diminish in any way the author’s perfect discourse in creating the history of a people. More than this, in an attempt to create an even more verisimilar portrait of the nation, in the introductory chapter to the novel – *Visiting Slaka: A Few Brief Hints* – Bradbury allegedly quotes from “a certain reputable encyclopaedia” which “authoritatively observes” that

> no certain historical data exists for the period prior to the Xth. An obscure passage in a chronicle by Nostrum, Monk of Kiev, suggests a possible origin for these people somewhere in the region of the Bosphorus, but even this is much disputed. The people are generally finely built, dark in the southern part of the country, fair in the northern, inclined to spectacular deeds of heroism, but somewhat deficient in energy and industry. Long periods of outside occupation depressed the people, until the national wakening of the XIXth., led by Prince Bohumil the shy, and celebrated by the poet Hrovdat, killed on his horse in 1848 as he declared epic verse in battle. The earliest specimen of language occurs in a psalter of the Xth., but some seventeen different regional languages presently exist in the country, Salt, gypsum and iron ore are mined. Principal cities are Slaka, the ancient capital; Glit, a seat of learning; and Provd, and industrial city. (pp. 2–3)

The presentation of the country has all the ingredients which should be present in a history book: documentary, occupational, industrial, topographical. However, in pure postmodernist style, irony permeates the presentation of this heroic yet somehow sluggish people, whose prince died in battle while declaring verse, and whose main seat of learning is a city whose name – Glit – is similar to an English interjection for expressing displeasure (“shit”, “gooddamn it”) or to a Scottish word meaning “pus”, “filth”, “slime”. This is a people that can find its truth (“provd” bears a high resemblance with the Russian word “pravda” meaning “truth”) in the mechanisms of an industrial city.

But this aspect of parodic presentation is not the only one exploited by Bradbury. He also renders the newer, “more” postmodern aspect of history in the novel of the 1990s in which he chooses to visit the past in an encyclopaedic undertaking. It is the case of *To the Hermitage* about which the author testifies (or leads us to believe) that it “draws a great deal on history; but as history is the lies the present tells in order to make sense of the past” he has “improved it where necessary” (p. xxi). The style of the novel is more befitting a reference book than a work of fiction. The novel is built as an accumulation of episodes arranged as an alternation between the present (marked in the title of each chapter by the deictic “now”) which informs us how a group of professors attempt a re-creation in 1993 of Diderot’s project of creating an all-encompassing encyclopaedia and the past (marked after the same practice with the deictic “then”) of Diderot’s expedition and tutorial mission to the court of Catherine the Great of Russia.

The historical chapters, interspersed with pedantic and at the same time jovial commentaries of the Enlightenment philosophy and Russia’s history, paint a sarcastic picture of the Enlightenment spirit showing how vanity, political decisions and erotic impulses played a great role in a nation’s achievements and a historical figure’s becoming. However, Bradbury seems to have managed in being “Posterity’s spin-doctor” (as he claims in the *Preface*) because the enlightenment reason is not totally discarded and Bradbury’s lenient presentation of the “Ageing Sage” as a confused and sometimes blundering character is balanced with the philosopher’s witty remarks, interpretations of political decisions or wonderfully witty dialogues with the tsarina, dialogues that he initiates and supports dealing with issues such as the nature of man, the prerogatives of a sovereign, the way to acquire knowledge (“Knowledge is a long journey”, p. 177), or the art

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of the philosopher launching challenging questions but never offering answers. Bradbury manages in this manner to paint a full, (both fictionally and historically) accurate picture of a “thoughtful, reason-inspired, light-filled, positively electrical new age” (p. 17) and he recreates the flavour of a seventeenth-century Russia with its loud boyars, boasting generals, pleading gentlefolk, prancing hussars, conspiring chamberlains, flattering ambassadors, adulterous maids-in-waiting, hirsute priests, fearsome black monks and ambitious nobles from remote provinces. (To the Hermitage, p. 138)

It is only in the last note to the novel that after quoting some of his referential sources (history books, biographies, letters) he admits to have cheated on some issues but quickly rectifies his intended historical impropriety by quoting a reliable source and reinstating somehow the historical value of the partly document-book:

I cheated with Eugene Onegin; my references are not to any libretto but to James Falen’s translation of the poem (Oxford World’s Classics, 1995). I cheated too over the reburial of Laurence Sterne. A more truthful version (giving the fine sermon of canon Cant) may be found in Arthur H. Cash and John M. Stedmond (eds.), The Winged Skull: Bicentenary Conference Papers on Laurence Sterne (London, 1971). (To the Hermitage, p. 498)

The philosophy which seems to have taken Bradbury to the path of writing such a book is the one expressed in the preface of the novel: “past, present and future eternally interfere and interface with each other.” (p. xxi)

But Bradbury also registers pages of contemporary, genuine history, crudely and boldly presenting the manner in which the spectacle of the news registers the collated apocalyptic problems of the postmodern age and reconstructs the contemporary vocabulary. Leaving aside the addiction that people have towards watching their predicament being broadcast, we observe the way in which the author manages to synthesize the consequences of the postmodern type of living, discarding completely the issues of sustainable development:

Faces shone out of the sets, faces of people competing for money, competing with people for power in an endless competition for fame. There were trials and heart transplants, riots and bomb-blasts. At Chernobyl Russian nuclear reactor erupted and sent its lethal radiation across most of Northern Europe. Industrial pollution poured down the major rivers and corrupted the seas. Acid rain deforested the hillsides, and car exhaust emissions were burning off the protective ozone layer. AIDS was spreading epidemically, along with cervical cancer, meningitis and innumerable untreatable viruses. Famine was growing, drought and desolation multiplying, small wars erupting, and terror was coming out of the always fundamentalist Middle East to threaten the newly fundamentalist West. Manufacturing industry was declining, jobs for the young were disappearing, financial speculation was increasing, and everyone was waiting for the Big Bang. Rape and child-murder was increasing, crime figures escalating, the centres of great cities deteriorating. Sex was lethal, smoking abhorrent, drinking dangerous, food destructive, and indeed the only pleasure left to make life worth living, if it was at all, was money, poor little paper money, which was trying to do all the work. (Cuts, pp. 84–85)

We need to add at this point the observation that Cuts was considered one of Bradbury’s weakest novels, but such samples of objective unforgiving presentation of the contemporary world are so truthful twenty years after the novel was written that, in the limits of common sense, the author can be regarded as almost a visionary, a forerunner that has heralded for us a long time ago the trajectory that we are nowadays following. He seems to have flawlessly anticipated in 1987 the plague that would mar our planet, the mentalities (Middle East vs. West) that would clash.

Another willingly accepted aspect of history was its many-sidedness brought about by the permanent change in the reconsiderations or changing of positions of terms in the triplet race–class–gender. Each new historical/ cultural/political period established a new angle upon such matters giving priority to one or other or making up for past mistakes that have now become the subject opprobrium – the matter of slavery for instance – but may easily be still practised in a disguised form.

### 3. Thatcherism

**Motto:**

_Eighties Britain was a fast-changing scene._


The history of contemporary Britain in the period that Bradbury wrote, deployed its forces mainly under one (we do say great) name – that of Margaret Thatcher (which Bradbury considered “often unpopular, yet unquestionable the most influential political figure in Britain since the Second World War” (*The Modern British* Novel, p. 446)) and the Conservatory party and a series of policies that promoted business, consumerism, and the new entrepreneurs. Thatcher’s years in power brought radical reforms in
political life by a clear cut division between the left and the right, and also such measures as: “privatization of nationalised industries, regulation of professions such as medicine and teaching, an end to strike-bargaining, and a curtailment of union power.”¹ The Poll Tax was introduced, monopoly privatisation in key sectors of society (coal, steel, electricity, gas, telecommunication, council housing, transport, water) was given green light, and marketplace took over – Britain lived its heyday of “enterprise culture”. This combined with a heavy industrialisation led to the increase of unemployment, but at the same time it also brought changes concerning the legislation relating to women’s rights, childbirth, marriage and sexuality bringing a tone of liberalism, with some limits however (we mention here the lack of total support towards sexual minorities). These apparently decentralizing measures did little to reduce the power of the state a fact which was largely condemned.

These types of social changes determined changes in the perception of identity in relation to sexuality, ethnicity, and gender both in literature and in popular culture. This also led to a more clearly made differentiation between “high” and popular culture, having on the one hand the awareness of the literary tradition, and on the other the new experience of Welfare State, the Cold War, television, and the rock music. The society was witnessing great changes concerning “social attitudes, sexual mores, religious consciousness, and youth movements, underpinned by a growing movement of Americanization of the British culture² and the novel, as a bearer of issues such as questioning boundaries and transgressing borders, is still a radical culture force by performing a delivery of all these social stances. Shortly, if Margaret Thatcher had rarely been perceived as a friend or connoisseur of the arts, Thatcherism had an immense effect upon the British fiction since the 1970 by becoming a rich source for social critique and satire in a mainstream of realist fiction.

This period gave rise to a gamut of characters regarded by some as being “united in their unambiguous odiousness.”³ This remark is perhaps exaggerated for Malcolm Bradbury’s fiction that contains highly comic and ridiculous characters (Henri Babbacombe from Cuts) or strangely likable ones despite their nastiness (Howard Kirk from The History Man) perhaps excusable because of the political and social environment whose prevailing ideology could not bring forth but such characters.

Malcolm Bradbury also registers the period of Mrs. Thatcher’s “reign”, narrowing it especially to the decade 1979–1989, in a special chapter in The Modern British Novel which he entitles “Artists on a Floating World”. The critic is very direct in emphasizing the important economic aspect of the age brought on by the political measures that were adopted by the government: “The Eighties spoke the language of economics, read culture with a discourse based on myths of money.” (p. 442) He now speaks about the appearance of “economic fictions”, the commodification of the book, but also a promotion of the individual, of the enterprise and entrepreneurship. These measures however had as a negative consequence upon “declining universities, closing theatres, under-endowed schools and struggling hospitals” (p. 444) But one could also see that public spaces deteriorated, parks closed, crimes increased, drugs problems intensified, and the sociologists observed, along with a growth in personal wealth and the endless multiplicitation of designer commodities, the rise of the new ‘underclass’. [...] Old manufacture was dying, historic male employment falling away. In parts of the nation gentrification and growth advanced: hi-tech industries, service industries, traffic, motion, travel, leisure, fast food and gourment eating all boomed. (pp. 444–445)

The general atmosphere was one of flood of the new technologies, and erotics of trading and consumption. Bradbury’s “university novel” registers clearly the Thatcherite period as the eccentric microcosm of the university which had registered the routine menu of human characteristics and idiosyncrasies but the university is replaced in Cuts, for example, with the glitzy, profit-driven world of screen writing. The process of decision making does not belong so much to the main character, but this academic of a small provincial university is rather pushed into it by the symptom of the political changes which determined the closing of unproductive departments in universities. The movement from the world of intellectuals (as limited as they may have been pictured with Henry Babbacombe as an epitome) is presented under the form of farce and the novel still possesses the strong tones of the incisive satire with which Bradbury had accustomed us and it paints a truthful picture of a society heading towards the superficiality of image consumption. Thus, the Vice-chancellor of the university where the main character worked had been trying to get all the chairs in the university endowed, by commercial organizations, or even private individuals: the Westland Chair of Anglo-American relations, the Kingsley Amis Chair of Women’s Studies, and the Durex Chair of French Letters were only some of the ideas he was presently developing. Stirred by pressure form the government to bring in more relevant subjects, he was trying to disestablish ancient departments like Classic and

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² Idem, p. 10.
English altogether, and replace them by more modern one, such as a Department of Snooker Studies. (Cuts, p. 45)

The weakness of a bumbling, blundering character who is blameless in his predicament and is ironically presented as “a great model of Thatcherite enterprise” (p. 53), seems to create the illusion of a weak, flawed novel, but the introductory chapter, a state-of-the-nation piece in which Bradbury’s linguistic inventiveness in creating the semantic field of the verb “to cut” (that registered all the economic and cultural movements in the Thatcherite period) is at its best (by registering 43 verbs synonyms of or from the same semantic field as the verb “to cut” and giving 6 other uses for the same verb in only one and a half pages) and proves that the farce that follows truly wants to chastise the superficiality of a world ruled but the myth of the cut of the slate as in film-editing.

This is a novel that registers the highs and (very) lows of an “Age” which seems to have remained “the unceasing, perhaps irremovable, core element of the British social, economic and political fabric” even after the departure of the one who had initiated it. Thus, in between comic, parodic references to the world of film-making, the novel also presents scraps of journalistic-like reports on the society changes or merely inserts play upon words in the account. In the summer of 1986, when “privatization” was, along with ‘buzz-word’, the great buzz-word”, (ibidem)

they were cutting the numbers of students, cutting the courses, cutting the secretaries, cutting the porters; they were cutting the playing fields, cutting the student accommodation, cutting the library, cutting the teaching buildings. They were also cutting the staff. (ibidem)

The author continues later with a deadly serious topic on the matter – the migration of the intellectual population because of these extreme measures registered in the educational system:

There were those who suspected that the people in the university administration – who, as it happened, were not on the whole being cut – were undertaking the exercise with almost an excess of enthusiasm, as if they had been longing for the day when the troublesome professoriate, the finicky lecturers, the annoying readers, would pass on to pastures new, mostly in the United States. (ibidem)

4. Liberalism

Motto:
If God had been a liberal,
we wouldn’t have had the ten commandments.
We’d have the ten suggestions.
(Malcolm Bradbury, The After Dinner Game, p. 57)

“Postmodern culture is much taken with change, mobility, open-endedness, instability.”¹ This is the tenet that Malcolm Bradbury applied in his novels by expressing the liberal anxieties of an England which should have looked for and drawn its inspiration more from across the Ocean.

The new condition of (post)modernity brought a vision upon the world of mankind in which individuals are almost absolutely bound not to see in the same way in any matter. This sovereignty of the individual choice has triggered a plurality of thought and opinions which required and conditioned the appearance of liberalism as the only valid doctrine to accommodate a plurality of conceptions.

One of the main aspects of liberal thinking is the politics of difference. What is paradoxical is the fact that while liberalism and this system of thought have to develop such universals as the rights to “equality, rule by law, freedom, and democratic participation”², one of the fundamental premises of postmodernism is the discarding of universals. Theorists of culture such as Stephen Best and Douglas Kellner are of the opinion that for a true democracy to be achieved man needs such institutionalized, political universals. But this double-sided dilemma creates exactly the propitious terrain for the successful exploitation of irony and parody. This double sided democracy in which man is encouraged to manifest absolutely freely, yet being asked to do it by the rule, is the territory on which postmodernist fiction treads creating a character who lives in a(n) (alien)nation of the present hesitance and loss and the future uncertainty and fear.

Liberalism brought with it a new fetish – sexuality or the body. As Eagleton puts it “from Lyotard to leotards, […] from Berkley to Brighton the body has become one the most recurrent preoccupation of postmodern thought” and one can truly acknowledge that “there’s nothing more sexy than sex.”³ And this because the body seems to offer “a mode of cognition more intimate and internal than a now much-scorned Enlightenment rationality.”³ It is the wonderfully complicated system of the body and the complexity of the passions that it yields that is resonant with a clearer division between culture and nature. It is only now by liberating the body that man can truly understand and establish the equilibrium between the primitive side of civilization and the redemption brought by culturalism. The new gain is that if in modernism the only

¹ Terry Eagleton, op. cit., p. 34.
³ Terry Eagleton, op. cit., pp. 69–70.
existential prerequisite of human beings was a cultural one, now there has been added this perspective of the life of the body.

Following Bradbury’s deeply rooted beliefs almost all of his characters believe in the liberal movement and in the triumph of liberal thinking in daily life. James Walker before and after having “stepped westward” openly testifies to such a type of mentality on account that it promotes the individual, though, in his case, he did seem capable of taking advantage from such a possibility of liberty offered by contemporary society: “He believed in democracy and liberalism because they diminished political belief and stressed individualism and debate. People over politics; that was Walker’s cry.” (p. 219) but fails to use the prerogatives of such a creed and all this because he is on foreign territories “away from his household gods”, “living in a world of someone else’s ethics” (p. 224). That is why the effusions of liberal thinking pass over him quickly and he returns to being a man swallowed by history and not managing to affirm himself: “People believed in the broad sweeps of history, not in moments of individual decision.” (p. 225)

5. (The) Subject(ivity) in history

The experiencing “I” occupies a central role in modernism, but whether or not at the heart there is a “thinking I” that experiences, conceptualises and interacts with the world is a fact questioned or utterly denied in postmodernism. At the same time, subjectivity in terms of ethics, politics, representation, reliability, and historical, social or linguistic structuring of the subject, has been a term heavily debated upon in social sciences. How much of the individual is personally, specifically determined, how much of him is culturally determined, and how we can know that our knowledge of and experiences in the “real” world are the same as other people’s knowledge and experiences thus forming a more or less objective frame, are all issues theorised upon in sometimes bulk treatises and reflected in the works of artists.

If modernism encouraged the notion of “the (patriarchal) entrepreneurial subject”, postmodernism rejected the myth of Man as “a rational, unified, powerful and controlling being” who replacing desire as “the vital force of creativity” gave freedom to desire as the “libidinal drives in the individual that subvert the power of reason.” The subverting of reason by desire led to the postmodernist rejection of the humanist concept of a unified self existing at the core of the cultural process. The postmodern subject is

(S)he (the introduction of the feminine is compulsory for the identity of the postmodern subject) is a dehumanised cyborgian product of techno-science, a libidinal bisexual (comprising elements of both sexes) creature, cogs in the machine of capitalism. Thus, in postmodernism more than ever, the subject and his identity are a social, cultural, technological and linguistic product of the society (s)he inhabits. From this new perspective, “the relationship between the modern and the postmodern is based on a continual renegotiation and disruption of the subjective identity.” He is no longer a self-sufficient being both because he is inescapably trapped in the mechanisms of a society that created so many dependencies for him, and because of the aphrodisiacal luring need of integrating himself within the social system.

6. Conclusions

The most interesting thing to observe in our analysis has been the Protean position from which Malcolm Bradbury performed his analyses or put into the practice of fiction his principles and the principles that he observed as being at work in the contemporary age. Thus, scriptwriter or pamphleteer, reviewer or editor, critic or novelist, he researched the phenomenon in its small or large scale manifestations, in its national or international overturnings being both a close observer of the social, economic and political movements and clearly stating his preferences for a liberal doctrine which would seem to confer the largest freedom of thinking, manifesting and moving to the individual, and granting him the liberty of making his own decisions and falling the victim of a system and also a juggler with the notions of truth and value, culture and knowledge, or myth and history. This organisation had its imperfection but, fact is, it is this type of thinking that allowed Bradbury to take the trip towards America and appropriate part of the mentality from there. I believe that it is the American freedom of speech that urged Bradbury into giving utterance to his dissatisfactions towards the English (Thatcherite) system and the mixing with the characteristic English humour and sarcasm led, in the end, to a unique combination.

4 Idem, p. 312.
5 Simon Malpas, op. cit., p. 79.
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Managing Metaphorical Images of Organization. A Case Study on a University

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Key words: organization, management, metaphor, NGO, management teaching.

Abstract: The paper underlines the highly pedagogical role of metaphorization in organizational analysis and in management teaching. Many of us are using metaphors without putting them to work, fully exploiting their potential. In literature the most used metaphors for organization are: machine, organism, brains, culture etc. The authors applied them by submitting a questionnaire to the students of a non-state funded university.

Introduction

This article is the fruit of collaboration between a professor of management and a professor of English for Specific Purposes (ESP) for management students. Managers should use metaphors as tools for improving communication and their ability to manage metaphors is a metrics for their managerial skills. Also, professors which teach management should themselves use metaphors in explaining and inducing managerial skills. Following a very similar aim, a professor of ESP should stimulate the metaphorical language for a better understanding of managerial and economic concepts.

Management is, first of all, reading signs (figures, gestures, reports, images, attitudes etc.) and communicating ideas by words and signs. As a matter of fact, all economic realities are texts to be deciphered, read and understand in order to take good decisions. But all these “texts” exist into specific “contexts” so every managerial tasks need to consider the influence of these contexts on the organization itself. This metaphorical vision on economy as a text suggested us that metaphors are to be considered in teaching management and in practicing it. Especially in marketing, they help a lot in selling goods or information.1

It is noticeable that metaphors have their own lives in the context of certain theories or schools of thought. For example, in the marketing theory the “marketing mix” metaphor is considered obsolete and there is a concrete proposal to replace it by “promise metaphor”.2

Etymologically “metaphor” comes from the Greek “metaphora”, which means a transfer of sense from one word with a specific meaning to another one with a new one. It implies a change of meaning. This trope is more analyzed in semiotics and linguistics. Recently, management teaching has appealed to a lot of metaphors for a better understanding of its essence. Management itself is a metaphorical term for handling horses. Also, the word organization is suggesting harmony and happiness (the Greek root org).

In describing how an organization is functioning and how it could be managed metaphorization is a very useful tool both in teaching and in the managerial process. Many authors [Lawley, 2001; Lawley & Tompkins, 2001].

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1 Cf. Drugus et al, Managing metaphors within successful marketing: a socio-semiotic approach, Communication presented within the international conference of SPACE with the theme “Advances in Higher Education: Research, Education and Innovation in the European and Global Research Area”, CEU – Cardenal Herrera University in Valencia, Spain, 8-11 April 2008
are comparing organizations with machines and organisms, just because these are suggesting a dynamic functioning system. Thus, the archetypical metaphor “organization is a machine” suggests the following associated concepts: efficiency, consumption, maintenance, order, clock-work, cogs in a wheel (subordinate member of an organization who performs necessary but usually minor or routine functions), programs, inputs and outputs, standardization, production, measurement and control, design. whereas the metaphor of organisms is sending to the following associated concepts: living systems, environmental conditions, adaptation, life cycles, recycling, needs, homeostasis, evolution, survival of the fittest, health, illness.

In order to be sure we speak a common language with the audience we think it is quite necessary to develop some concepts used in the theory of organization and in management viewed from a semiotic approach. We try to demonstrate that some lessons in semiotics, linguistics, communication and related subjects are really needed for the future managers.

Chapter 1
A conceptual framework (management, organization, metaphor)

There are some misunderstandings in the taxonomy of modern science. Most scholars do consider that management is part of economic studies and semiotics is a discipline of linguistics. As a matter of fact management is concerned not only with for-profit organizations (firms, corporations etc.), but also with non-profit organizations (NGOs). This is one of the bad consequences of the disciplinary approach of modernity. Post-modern visions defy this segmentation of knowledge and propose a new and holistic approach. One of the authors suggested developing research units generating unified science. We do believe that management is a theory of human action used to help the improvement of human action and life. In our vision management is defined as a triadic interaction of end(s), means and end-means ratio. More specifically, it is about thinking on a certain end, selecting (rationally or/and emotionally) specific means for obtaining the proposed end and, last but not least, comparing all the time the proposed ends with the selected means in the process of doing any human activity. For short, management is thinking, feeling and acting, and everyone has his/her own management for any life situations. Neuroeconomics, neuromanagement, neuromarketing and neurofinances are nowadays the last words in this field, suggesting that decisions are both rational and emotional.

In describing/defining management in such a way we are using already a metaphorical thinking, considering all humans as thinkers, feelers and actors.

As for organizations, we may say similar things as about management. Most authors consider organizations as firms or businesses. In our postmodern vision this could be true if business should be extended to any human action and not confined to making money activities. Organization is a fundamental concept for human life. Its root (Gr. org) means harmony. There are lots of other words connected to organization that have the same root and similar meanings (organ, organism, organize, organizer, organ, orgasm). All of them are sending to the idea of harmony. In a weak sense this is a metaphorical thinking sending the meaning not to “transferring of a word to a new sense” but “transference of a word to the old/initial sense”. In our case the root “org” is sending both to initial meaning and to new metaphorical ones.

There is no doubt that economic reports are a rich source of metaphorical language. The sheer number of metaphors in use indicates their importance in this genre. Part of the explanation lies in the nature of media reports: subject matter must be accessible and interesting, even entertaining. Whereas the role of a textbook is to provide an accurate factual account of the subject matter, journalists have to consider reader reaction, circulation and competition from rival news reporters. Thus an attractive style is more likely to command the attention of readers or viewers. Colourful and dramatic language is a part of this style, as well as wittily appropriate plays on the names of companies or their trading activities. But the role of metaphor is much more profound than the above mentioned examples alone would suggest.

Traditionally metaphor has been placed squarely in the field of literary criticism and stylistics, and has generally been treated as an abnormal or marginal use of language. However, contemporary thinking took a radical change of direction with the publication of Lakoff and Johnson’s Metaphors We Live By, which showed how metaphor has a much deeper significance for the way people think and view the world. Its impact on the fundamental discourses of everyday life is at the heart of our way of perceiving the world and actions based on those perceptions. As they note: “... metaphor pervades our normal conceptual system. Because so many of the concepts that are important to us are either abstract or not clearly delineated in our experience (the emotions, ideas, time, etc.), we need to get a grasp on them by means of other concepts that we understand in clearer terms ...”

2. Idem, ibidem
Examples of the common metaphors of everyday life include such correspondences as “ideas are people”, “love is madness”, “wealth is a hidden object”, “emotional effect is physical contact”, “life is a gambling game” and many others. In combination they form a coherent network of analogies and equivalences which forms the very foundation of our conceptual system.

The theme of the centrality of metaphor has also been developed by other writers, for example Peter Mühlhäusler [1983], who proposes a shift in the paradigm, with metaphor the primary or natural condition and a need to provide an explanation for literal language as the special case. In particular, he proposes a class of “natural” metaphors, which have primacy over “nurtural” ones. Using data from pidgins as well as other languages, he notes that natural metaphors tend to be culture-independent and universally understood in contrast to the culturally invented nurtural metaphors and may provide important insights into universal language development processes. It is suggested that “Developmentally very early clusters of meaning (archetypal metaphors) may reflect universals in the semantics of human languages.”

Lakoff [1987] further develops his ideas on metaphor in Women, Fire and Dangerous Things particularly the relevance of the way language is used in a polysemous or metaphorical way. The idea that the use of a different language leads to different ways of perceiving the world is, of course, not new. Lakoff [1987] extends this work to the development of a theory of “cognitive grammar”, where language, cognition and communicative function are inextricably intertwined. Such a position is of considerable relevance to the way the discourse of a discipline such as economics is inter-related with the perceptions of those engaged in it and the actions based on those perceptions. If metaphor forms such a large part of that discourse, then there are implications for the understanding of both academic texts and more popular journalistic accounts of economic and financial matters. In our opinion Lakoff’s vision is in favour of transdisciplinarity approaches that we actively support.

If economists really live by those metaphors, the world is seen as somehow more secure, less unpredictable. The writers of textbooks are by definition presenting a world of fact, of state-of-the-art knowledge, of relative certainty. However scrupulous the authors may be in maintaining a scientific perspective, there are certain assumptions which tend to reinforce the certainty and suppress the uncertainty.

In a field of abstract concepts, the teacher welcomes metaphorical pegs to hang them on. As we have seen, much of the very substance of the subject - inflation, cycles, depression, expansion, - is basically metaphorical in nature and such fossilized concepts are left as the basic building blocks of the academic edifice.

Chapter 2
Using metaphors in management teaching

The pervasiveness of metaphors in economic texts makes the language of economics less abstract and more manageable in concretising, objectivising and even humanising economics concepts. Economic metaphors are basic models for economic processes in human society.

We think that metaphors are supposed to facilitate and enhance understanding, not hinder it. Hence, they can be used as a didactic tool to simplify what would otherwise be too complex for students to understand. In order to fulfill this task effectively, the teacher himself needs to have some knowledge of the use, function and interpretation of metaphor. He may adopt them according to his students’ needs or his cultural background and this is perhaps the influence that metaphors should have on English for Special Purposes (ESP) courses for economic classes.

This study of metaphors in economic texts will be useful in determining the relevant aspects in which a consideration of metaphors might help students get into texts besides contributing to the building of a theory of text-types different from the traditional taxonomy of literary versus non-literary texts.

The pervasiveness of metaphors in economic texts (and other types) is eroding the precariousness of the long held preconception that metaphors are exclusively a sign of literature, a linguistic ornament. On the contrary, metaphors are not an embellishment of one what already knows, but a vehicle for new insight made available by the interanimation of new terms.

The ESP teacher himself needs to be aware of the different rhetorical strategies and models used in economics and he can adopt them to his students’ needs or he can adopt them to his students’ cultural background. English has clearly become the world’s predominant language of business, research and education. 2

The finding that metaphors are such a prominent part of business reports has a number of possible pedagogical applications. Students of business and economics who wish to understand the subject must be


aware of the metaphorical nature of much of the description, and be able to interpret it when they come across it. This importance has been demonstrated for economics textbooks, where the emphasis has mainly been on metaphor as a component of the theoretical underpinning of the subject's basic assumptions and theories. Even if the metaphor underlying a term has now become obscure, analysis of its origins could give insights into the meaning, and act as an aide-mémoire. When considering living metaphors, an appreciation of the distinction between the literal and the figurative would be highly desirable to bring a critical mind to bear on readings.

There appear to be three management main reasons why such work would also be useful for students in the area of business and economics: getting to grips with the subject matter, background knowledge of the subject area and stylistic awareness. As for grasp of subject matter, as noted above, understanding of terms may depend on appreciation of metaphorical links, or may be assisted by such an insight. A discussion of these associations would be a useful check for testing definitions of key terms.

Secondly, a common complaint about undergraduates is the inadequate amount of background knowledge available for a critical interpretation of subject matter. This background knowledge is of significance not just as a repository of facts to draw on when required, but also intimately affects the process of reading itself. A critical reading strategy based on expectations from one's own background schemata is likely to be much more effective than treating a text as a dose of information to be ingested and assimilated. Wide reading on topics of interest could be stimulated by focusing on such sources as business publications (*Financial Times, The Economist, Sunday Morning Post* etc), where the reports are well written and informative.

Thirdly, awareness of style, genre and tone in writing is an area where many students are in need of improvement. The tone and style of journalistic reports are different from those of textbook chapters or economic essays. Reading exercises to identify different tone and stylistic elements would be a useful prelude to instruction on writing reports in an appropriate genre with the required degree of formality.

One pedagogical application which has been used with a fair degree of success is project work of the kind currently undertaken in ESP courses for managerial economics and business students in many universities. For example, first year economics students are required to assemble a business portfolio. This portfolio is based on an investigation of some current activity or events, such as the stock market or property prices, and serves as the basis for written and oral reporting. Information is largely obtained from media reports, as current information cannot be found in textbooks. As media reports are normally presented in a journalistic style, there has to be some transposition into a more suitably formal style before it is acceptable in an academic context.

Metaphors are a common and important feature of contemporary financial journalism, and any understanding of the language of stocks and trading requires an appreciation of this. Metaphors are functioning not only as stylistic devices, but are fundamental to the perceptions of both academics and professionals in the field of management.

### Chapter 3

**Case study on an NGO: George Bacovia University**

The study case was realized in an NGO, namely “George Bacovia” University. We have applied a questionnaire on how students perceive metaphorical images in organizations being convinced that this is a good chance to improve the effectiveness of the managerial team.

The questionnaire was composed of two distinct open questions and we centralized its results in the following table:

1. Chose an organization you know. Try to describe it using a suggestive word that should emphasize as well as possible this organization's way of functioning. The word(s) must express a powerful metaphor. You can suggest one or more metaphors.
2. Taking into consideration that the following metaphors are the most used ones please specify what concepts come into your mind when reading them.

<table>
<thead>
<tr>
<th>No.</th>
<th>The chosen organization</th>
<th>Machine – good assembly; collaboration</th>
<th>Organism – the most complex and wonderful construction on earth</th>
<th>Brain – thought, coordinator of ideas and gestures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Nokia – machinery, innovation</td>
<td>Machine – good assembly; collaboration</td>
<td>Organism – good functioning</td>
<td>Brain – control and command</td>
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</tbody>
</table>
| 3. Orange – an efficient mechanism | Machine – speed, efficiency  
Organism – mechanism, functionality, continuity, necessity  
Brain – intelligence, creativity |
Organism – collaboration, interdependence  
Brain – centre of creation and knowledge |
| 5. Community Aid Foundation - a good helper | Machine – mobility, movement  
Organism – power, force  
Brain – thought, intelligence |
Organism – unity, ensemble, balance  
Brain – central organ, essence, vitality |
| 7. UNICEF – helping hand | Machine – assembly  
Organism – harmony  
Brain – creativity |
| 8. School – an essential role in an individual’s life | Machine – assembly  
Organism – good functioning  
Brain – sine-qua-non condition in our lives |
| 9. Court – justice, rightfulness | Machine – speed,  
Organism – life  
Brain – essence of life |
| 10. Constitutional Court – judicial balance | Machine – dynamism, creativity  
Organism – interaction, interrelation  
Brain – organization, coordination, leadership |
| 11. NATO – military power | Machine – order, good functioning  
Organism – assembly, interdependence  
Brain – management, control |
Organism – life, necessity  
Brain – knowledge, education |
Organism – health  
Brain – thought |
| 14. Political party – anthill | Machine – power, collaboration  
Organism – life  
Brain – knowledge |
| 15. Hospital – the white healer | Machine – functioning  
Organism – health, vitality  
Brain – command, control |
Organism – life  
Brain – education |
| 17. Town Hall - beehive | Machine – technology  
Organism – life  
Brain – leadership |
Organism – health  
Brain – intelligence |
| 19. Fire brigade - fire enemy | Machine – personality  
Organism – force  
Brain – intelligence |
| 20. Church - the soul of humanity | Machine – interdependence  
Organism – life  
Brain – thought |
| 21. Anti drugs agency – young’s guide | Machine – technology  
Organism – health  
Brain – intelligence |
| 22. Community Aid Foundation - good will | Machine – functionality  
Organism – vitality  
Brain – leader, intelligence |
Discussion

Applying this questionnaire has a double fold end: one is to test the students’ creativity in describing how some metaphorical images are applied to concrete and specific organizations, and the other one is to induce the idea that metaphorical images are very suggestive and useful in management teaching and in everyday life.

This research was not intended to be a purely statistical and “scientific” one (establishing a representative sample and a margin error), but only to get the grasp of students’ ability to express themselves metaphorically.

It was interesting to find out that the words associated with the three metaphors are from a broad range of possible features. Just putting together a list of words connected to brain we may better understand that every organization is seen to have its own life. Here are the features students proposed for a better understanding that an organization is a brain: thought, coordinator of ideas and gestures, control and command, intelligence and creativity, centre of creation and knowledge, intelligence, central organ, essence, vitality, sine-qua-non condition in our lives, essence of life, management and control, knowledge and education. This list of concrete features of the metaphorical image associated to an organization generates the conviction that in students’ mind there is a close relation between these features and the well known and successful organizations.

If these ones are successful it means that they have had a good management. Putting things vice versa it comes clear that in the process of teaching management the use of metaphors is very helpful and easy to learn the managerial functions applied to organizations.

Concluding remarks

Our teaching experiences (and for sure of many others) are full of examples of using metaphors in generating a better image of the studied/analysed realities. Furthermore, in management teaching using metaphors is compulsory just because management is applied to everyday life of human beings.

For example, in teaching general and specific management to students, one of the two authors is largely using epistemic and metaphorical games that are sending directly to concrete situations and cases. For example, in the very well known case of “the prisoner’s dilemma” the students should learn a concrete case of every prisoner management and its consequences both to him and to the other prisoner and to the other persons implied (the guards, their families, the manager of the prison, the judges, the persons who are suffering from being theft etc.) . This is very suggestive for demonstrating the idea that every human action is not to be considered separately, but only in larger contextual circles. It is also a good result of using metaphorical games to promote empathetical thinking as a good characteristic for true managers. And, finally, these metaphorical games helps very much to teach students that management is about life and not about money, accounting, financial schemes etc.

It is not a surprise for us to discover that the postmodern theories on management are putting a big accent on the human dimension of management and leadership [Ichak Adizez, Drugus 2003a, 2003b, 2006, 2007, 2008; Ulrich, 2007] in contrast to the modern theories that put an accent on the financial and material aspects.

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Streamlining the Acquisition Costs of Electronic Computing Equipment

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Key words: acquisition cost, streamlining, computing equipments

Abstract: Costs related to acquisition of equipment and software could be raised to levels unimaginable since current information processing requirements are very high. The industry from this area of activities has made major investments in research and development of equipment and applications to meet the growing demand of the processing resources, which is why prices are increasing. In this regard the acquisition of equipment and software to meet their usage, must be a process to provide maximum performance at minimum cost.

Currently two main trends are evident for computing platforms, namely: commercial and Open-Source.

In both cases there are many pros and cons, users and purchasers having a task increasingly more difficult to choose one of them. Regarding the hardware components, things are relatively simple: the available budget is the main limit in choosing equipment. The problems are greatly complicated the choice of software platform, because on that basis, the budget may increase significantly.

In this article, I want to present the results of a study I conducted an analysis of budget a computer lab equipment within an ECDL Test Center\(^1\). Issues such laboratory established in respect of standards is very accurate.

Given the ECDL standards, the current requirements for computer use, "at school, at work and at home" has been identified following the necessary hardware:

- 1 system that can run servers for the following services:
  - email;
  - Internet;
  - Network administration;
  - Firewall and anti-virus;
- 12 workstations for training and examining students;
- equipment for printing and scanning documents;
- traditional communications equipment: fax and phone;
- network equipments.

Since there must be a correlation between hardware and software requirements, before choosing a system configuration must be known software platform to be deployed on it. On software platforms I focus attention on two variants, variations approved and ECDL Romania

- Microsoft Windows platforms and
- Linux platforms.

To know more problematic software platforms, I think it should be given some details of operating systems. Thus, an operating system is defined as: "an interface between hardware and user which is

\(^1\) ECDL – European Computer Driver License (www.ecdl.org)
responsible for the management and coordination of activities and the sharing of the resources of the computer that acts as a host for computing applications run on the machine\textsuperscript{1}.

As a host, one of the purposes of an operating system is to handle the details of the operation of the hardware (Figure 1). This relieves application programs from having to manage these details and makes it easier to write applications. Almost all computers (including handheld computers, desktop computers, supercomputers, video game consoles) as well as some robots, domestic appliances (dishwashers, washing machines), and portable media players use an operating system of some type. Some of the oldest models may, however, use an embedded operating system that may be contained on a data storage device.

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{operating_system_diagram.png}
\caption{Operating system placement}
\end{figure}

In the world of computer’s operating system, it obviously observed three main trends:

- Microsoft Windows operating system
- Mac OS X
- GNU/Linux and Unix like operating systems

**Microsoft Windows operating system**

Microsoft Windows is a family of proprietary operating systems that originated as an add-on to the older MS-DOS operating system for the IBM PC. Modern versions are based on the newer Windows NT kernel that was originally intended for OS/2. Windows runs on x86, x86-64 and Itanium processors. Earlier versions also ran on the Alpha, MIPS, Fairchild (later Intergraph) Clipper and PowerPC architectures (some work was done to port it to the SPARC architecture).

As of 2009, Microsoft Windows holds a large amount of the worldwide desktop market share. Windows is also used on servers, supporting applications such as web servers and database servers. In recent years, Microsoft has spent significant marketing and research & development money to demonstrate that Windows is capable of running any enterprise application, which has resulted in consistent price/performance records and significant acceptance in the enterprise market.

The most widely used version of the Microsoft Windows family is Windows XP, released on October 25, 2001.

In November 2006, after more than five years of development work, Microsoft released Windows Vista, a major new operating system version of Microsoft Windows family which contains a large number of new features and architectural changes. Chief amongst these are a new user interface and visual style called Windows Aero, a number of new security features such as User Account Control, and a few new multimedia applications such as Windows DVD Maker. A server variant based on the same kernel, Windows Server 2008, was released in early 2008.

On October 22, 2009, Microsoft released Windows 7 (Figure 2), the successor to Windows Vista, coming three years after its release. While Vista was about introducing new features, Windows 7 aims to streamline these and provide for a faster overall working environment. Windows Server 2008 R2, the server variant, was released at the same time.

\footnote{1 http://en.wikipedia.org/wiki/Operating_system}
Mac OS X

Mac OS X is a line of partially proprietary, graphical operating systems developed, marketed, and sold by Apple Inc., the latest of which is pre-loaded on all currently shipping Macintosh computers. Mac OS X is the successor to the original Mac OS, which had been Apple's primary operating system since 1984. Unlike its predecessor, Mac OS X is a UNIX operating system built on technology that had been developed at NeXT through the second half of the 1980s and up until Apple purchased the company in early 1997.

The operating system was first released in 1999 as Mac OS X Server 1.0, with a desktop-oriented version (Mac OS X v10.0) following in March 2001. Since then, six more distinct "client" and "server" editions of Mac OS X have been released, the most recent being Mac OS X v10.6 (Figure 3), which was first made available on August 28, 2009. Releases of Mac OS X are named after big cats; the current version of Mac OS X is nicknamed "Snow Leopard".

The server edition, Mac OS X Server, is architecturally identical to its desktop counterpart but usually runs on Apple's line of Macintosh server hardware. Mac OS X Server includes work group management and administration software tools that provide simplified access to key network services, including a mail transfer agent, a Samba server, an LDAP server, a domain name server, and others.

GNU/Linux and Unix like operating systems

Ken Thompson wrote B, mainly based on BCPL, which he used to write Unix, based on his experience in the MULTICS project. B was replaced by C, and Unix developed into a large, complex family of inter-related operating systems which have been influential in every modern operating system. The Unix-like family is a diverse group of operating systems, with several major sub-categories including System V, BSD, and Linux. The name "UNIX" is a trademark of The Open Group which licenses it for use with any operating
system that has been shown to conform to their definitions. "Unix-like" is commonly used to refer to the large set of operating systems which resemble the original Unix.

Unix-like systems run on a wide variety of machine architectures. They are used heavily for servers in business, as well as workstations in academic and engineering environments. Free Unix variants, such as GNU, Linux and BSD, are popular in these areas.

Some Unix variants like HP's HP-UX and IBM's AIX are designed to run only on that vendor's hardware. Others, such as Solaris, can run on multiple types of hardware, including x86 servers and PCs. Apple's Mac OS X, a hybrid kernel-based BSD variant derived from NeXTSTEP, Mach, and FreeBSD, has replaced Apple's earlier (non-Unix) Mac OS.

Unix interoperability was sought by establishing the POSIX standard. The POSIX standard can be applied to any operating system, although it was originally created for various Unix variants.

Linux is a generic term referring to Unix-like computer operating systems based on the Linux kernel. Their development is one of the most prominent examples of free and open source software collaboration; typically all the underlying source code can be used, freely modified, and redistributed, both commercially and non-commercially, by anyone under licenses such as the GNU GPL.

The name "Linux" comes from the Linux kernel, originally written in 1991 by Linus Torvalds. The rest of the system usually comprises components such as the Apache HTTP Server, the X Window System, the GNOME and KDE desktop environments, and utilities and libraries from the GNU Project. Commonly-used applications with desktop Linux systems include the Mozilla Firefox web-browser and the OpenOffice.org office application suite. The GNU contribution is the basis for the Free Software Foundation's preferred name GNU/Linux.

The primary difference between Linux and many other popular contemporary operating systems is that the Linux kernel and other components are free and open source software. Linux is not the only such operating system, although it is by far the most widely used. Some free and open source software licenses are based on the principle of copyleft, a kind of reciprocity: any work derived from a copyleft piece of software must also be copyleft itself. The most common free software license, the GNU GPL, is a form of copyleft, and is used for the Linux kernel and many of the components from the GNU project.

Free software projects, although developed in a collaborative fashion, are often produced independently of each other. The fact that the software licenses explicitly permit redistribution, however, provides a basis for larger scale projects that collect the software produced by stand-alone projects and make it available all at once in the form of a Linux distribution.

A Linux distribution, commonly called a "distro" (Figure 4), is a project that manages a remote collection of system software and application software packages available for download and installation through a network connection. This allows the user to adapt the operating system to his/her specific needs. Distributions are maintained by individuals, loose-knit teams, volunteer organizations, and commercial entities. A distribution can be installed using a CD that contains distribution-specific software for initial system installation and configuration. A package manager such as Synaptic or YAST allows later package upgrades and installations. A distribution is responsible for the default configuration of the installed Linux kernel, general system security, and more generally integration of the different software packages into a coherent whole.

Figure 4. Linux's desktop
Considering the fact that Mac OS X requires hardware manufactured and marketed by Apple, equipments that are more expensive than generic versions called common PC, Mac platform I excluded it from analysis. Also, this platform is almost unknown to romanian users, which is another reason why I didn’t took it into consideration. So I further assess the other two variants, namely Microsoft Windows and Linux.

**Microsoft Windows case**

In this case we can say that we are dealing with a very popular platform, in contrast, requires a license to use the operating system. Bids can vary by provider, especially depending on version chosen as:

- Microsoft Windows Vista Home Basic – 743 Lei;
- Microsoft Windows Vista Home Premium – 881 Lei;
- Microsoft Windows Vista Business – 1.203 Lei;
- Microsoft Windows Vista Ultimate – 1.246 Lei;
- Microsoft Windows 7 Home Premium – 764 Lei;
- Microsoft Windows 7 Professional – 1.040 Lei;
- Microsoft Windows 7 Ultimate – 1.236 Lei;

For applications that need to be installed for additional lab equipment, Microsoft offers Microsoft Office at the following prices:

- Microsoft Office 2007 Home&Student – 521 Lei;
- Microsoft Office 2007 Standard – 2050 Lei;
- Microsoft Office 2007 Small Business – 2306 Lei;
- Microsoft Office 2007 Professional – 2562 Lei;

A “feature” of Windows systems is that they are “victims” malicious software and computer viruses, reason for that is the need to install specialized applications to protect data against these attacks. On the same site I found an offer in this regard, that is Kaspersky Antivirus 2010 - 139 lei and Kaspersky Internet Security 2010 - 208 Lei.

Software and laboratory facilities require a mail server type application that can be found in a dedicated operating system - Windows Server 2008, at a price of 5302 Lei.

To summarize the above bids may be made a software necessary, obtaining the following results:

- Operating systems: 12 licenses for Windows 7 Professional X 1.040 Lei = 12.480 Lei;
- Server operating system: 1 license Windows Server 2008 = 5.302 Lei;
- Office suite: 13 licenses Office 2007 Professional X 2.562 = 33.306 Lei;
- Anti-virus software: 13 license Kaspersky Antivirus 2010 X 139 Lei = 1.807 Lei;
- Malware protection software: 13 licenses Kaspersky IS X 208 Lei = 2.704 Lei;
- TOTAL: 55.599 Lei.

**Linux case**

Linux is the generic name of an operating system such as Unix-like based on a kernel with the same name. This platform presents a very important feature, namely that it is based on the concept of Free and Open Source. Under this concept all applications are free and open source, in other words are free and can be modified by anyone. Thus we deal with a free platform, very diverse in terms of “flavors” available.

“Flavorings” covers virtually Linux distributions that can be downloaded free from the Internet or ordered on CD and / or DVDs. Each distribution has a number of features, but Linux Ubuntu is one of them is distinguished by simplicity, reliability and adaptability.

“Ubuntu is a Linux-based operating system, freely available with both community support and the professionals who produce it. The Ubuntu community is built on the ideas set out in the Ubuntu Manifesto: this software should be freely available (without charge any fee), software tools must be used by people in their language and despite any physical disabilities and those people should have the freedom to adapt and modify applications they have in any manner they consider best suits them. This freedom make Ubuntu fundamentally different from traditionalproprietary software: not only the tools you use are free, but you have the freedom to change until the applications that work the way you want. [...] Ubuntu includes more than 16 000 software packages, but those required for basic installation takes less than a CD. Ubuntu starts with Linux kernel 2.6 and Gnome 2.16, and covers every standard desktop application from a word processor and

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1 http://www.windowsculicenta.ro/windows/
2 http://www.windowsculicenta.ro/office/
3 http://www.windowsculicenta.ro/securitate/
4 http://en.wikipedia.org/wiki/Free_and_open_source_software
spreadsheet applications before or applications to access the Internet, Web server software, email, languages and programming tools and some games."\(^1\)

On the official site can be downloaded 3 versions:
- Ubuntu Desktop
- Ubuntu Netbook
- Ubuntu Server

Any version has all the applications needed to use the computer lab, respectively Pack Office - Open Office 3.1, file management tools, Internet browsers, etc. In addition, Linux systems are safe enough not to become targets of malicious software or computer viruses reason for not requiring specialized programs in this regard. Such programs exist for this platform, but are used for Cleaners of storage in Windows environments. Ubuntu Server and the other two versions also provides the software necessary to implement a mail server and anything like that.

As you can see the need for laboratory informatics software may be provided by Linux, and more, all at zero cost.

**Hardware requirements**

Linux is not very demanding hardware needs, unlike Windows which require modern equipment and often at high prices. Making an analysis of tenders and equipment suppliers in the need for providing computer lab, I established the following:
- 12 working stations X 2.500 Lei = 30.000 Lei;
- 1 server X 3.500 lei = 3.500 Lei;
- 1 multifunction printer X 1.000 Lei;
- network and communication equipments: 1.000 Lei;
- TOTAL: 35.500 Lei.

**Opinion**

If we opt for the Windows platform acquisition cost amounts to 91,000 lei, while the Linux version is limited to the costs of buying hardware, respectively 35,500 lei. This can save 55,599 lei and that in the conditions of legality and in compliance with the ECDL standards.

With prices for Microsoft Software, software piracy is still rife due to use of the above without purchasing related licenses. Thus the solution using the Windows platform and saving 55,599 lei remains software piracy, but is illegal and immoral activity and is still tolerated by society, state authorities and especially by Microsoft.

Why Romanian society tolerates software piracy? I think the answer is simple - because no money. Why the Romanian State tolerate the piracy, especially in circumstances where there are tools necessary to combat it? Although there is legislation and competent authorities in this regard, I think The State is one of the great user of pirated products. If there are computers in state institutions who use Windows on legality, many other software applications used on this platform are pirated. From my experience in relationships with many authorities (mayors and state institutions) I can say that until now have not found a system of their belonging to licensed Microsoft Office software or anti-virus applications.

Why Microsoft tolerating piracy of its products? Answering this question is a real conspiracy theory which tends to believe. So I am answering at this question with a few questions: Piracy of Microsoft products can not be considered a method of promoting? The popularity of Microsoft products restricts users to the limits provided by this platform, thus generating a tendency to widespread use of these products? Hardware manufacturers and they are not involved in these issues?

The choice for computer lab was the implementation based on Linux Ubuntu this and other reasons than financial ones. I remember the reliability of the platform, its security and not least the legality and morality.

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*** ebook - Linux Installation and Getting Started by Matt Welsh
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Determining the Standard Cost of Materials

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Keywords: cost, standard, materials, raw materials

Abstract: Calculation of costs is a laborious task, but also imperative for company management. The results of this activity base its decisions but also help achieve an image of efficiency productive activities. In the current context of the Romanian economy, provided the price is a variable of increasingly uncertain, determination of costs is a very complex task which must be made with much precision. Standard-cost method of calculation allows company management to gain valuable information, thus determining the cost of standards is an important activity for management.

1. The need for use standards in costs calculation

In practice of market economy countries, standard for measuring production efficiency in certain circumstances is the standard. Standard sizes or values expressed scientifically established, both based on data from earlier periods and of factors related to conditions expected to be assessed in the future conduct of the business enterprise. Their main function concerns so future work, for which standards are used as measuring instruments, control and management of work done.

What characterizes the standard-cost method is that standard costs are considered actual and normal production. Normally, the costs calculation is reduced to one calculation, the cost's standard, which constitutes the basis for determining sales prices. Standard ante-calculation should be sufficient, as determined costs are normally incurred in the process of production and cost's standards based on science-based, reflecting the specific conditions and real possibilities of economic units.

Deviations are central to the general concept of management accounting and cost calculation based on the use of standard costs. That is reflecting the degree of organization of work, compliance with technological discipline, compliance or failure of program level in production, supply and sales. As for the orientation of management decisions on machine-building enterprises, necessarily requires knowledge of the offense, as a prerequisite for informed operational decision-makers in those companies on the disturbances occurring in the production process.

Assessment of the production's cost obtained in machine-building enterprises in terms of applying the standard-cost method, the standard-unique cost version, requires a number of prerequisites for management accounting organization, premises to be customized to report technical-organizational and economic conditions the undertaking.

Rational organization of the flow of primary documents as primary carriers of information on production costs and production-is one of those premises. Develop a system of primary documents that reflect production costs per place (center) of expenditure in the enterprise and each calculation object end, has a real and major importance for proper organization and determining the standard deviation calculation.

The correct organization of current and preventive control of production costs, it is as another prerequisite of managerial accounting organization and cost calculation in terms of applying the standard-cost method, the standard-unique cost version in machine-building enterprises. This entails defining and identifying deviations from the standard of actual expenditure from the time of their performance. It is important to exercise, in addition to a preventive control that occurs before engaging production costs and a current-task control is exercised while making the costs of production and even post-operative control is exercised on the basis of regarding the actual production costs, ie after the operations were performed1.

1 Călin, O., Cârstea, Gh., „Contabilitatea de gestiune și calculația costurilor”, Ed. AtlasPress, 2003
Preventive control is to assume responsibility of spending the appropriate line and saving the material and financial means involved in the production process. The operation that consists of targeting the bodies entrusted with the preventive control of each primary document that commits to carry out a certain production costs, in terms of legality, expediency and economic efficiency of the expenditure in question, framing it in the budget provisions in standards of expenditure. A control visa to seek preventive control if material is released for consumption is within the approved standard consumption if wages to be paid is entitled to genuine works, completed, executed and received in good condition, if administrative costs are household ceilings within the values set in the budget etc., in order to avoid illegal, uneconomical and unrealistic transactions.

Through preventive control, it creates the possibility that with the visa to identify deviations from the standard of actual expenditure and to note that these documents underlying record in managerial accounting of production costs.

By applying standard cost method of calculation in the standard-unique cost version in machine-building enterprises, operative and post-operative control provides greater benefits than in terms of applying traditional costing methods such as that on orders, as can promptly analyze deviations from the pre-actual expenditure on job costs (sections, workshops, etc.) types and causes, in order to take on the fly the necessary measures in connection with the removal of negative effects of these and the causes they generated.

Organizing accounting of direct expenses of production in terms of applying the standard- cost method in standard-unique cost version in machine-building enterprises requires knowledge of the technological process and production program within one year1.

Program production is a quantitative prediction that aims to determine the physical production, to be made in order to achieve turnover of sales included in the budget. After the development production program, this assessment takes place, ie standardization of production expenses for making those and assigned to the costs, key sections of production, auxiliary and service stations - and annual periods (quarters, months). The distribution of production program on departments, workshops etc., is a very important action as determined for each sector, level of activity required to develop standards for direct and indirect expenses incurred. Distribution on periods of management production program is required by the need to check how to do while the correlation of production with sales.

The category of direct expenses of production in enterprises of machine building, include:

- consumption of raw materials and direct materials;
- consumption of own production of semifinished;
- direct wages and insurance contributions related to salaries and direct social security.

The direct expenses are calculated by applying the weighting procedure amounts to prices or tariffs, rules or standards multiply the time consumption with supply prices, respectively with standard wage rates and normal production and amount of factory programmed to that department.

2. Determination of standard costs for materials

Improving the organization of accounting raw materials and materials seeks in the application of the standard-cost method of machine building enterprises, calculating in advance, to launch the manufacturing process to achieve appropriate levels of these expenditures planned production. The calculation article "direct raw materials and materials" is covering the costs of materials and direct materials who are used in products (ferrous metals, ferrous materials, chemical materials, equipment, engine, various auxiliary materials, etc.) taken from "components list of product " and constitutes its substance.

In case of calculation article "direct raw materials and materials" the general calculation model of this account is as follows (formula 1):

\[ Ch_{mm} = \sum_{f=k}^{n} c_{sij} \cdot p_{sij} \cdot q_f \]

(formula 1)

where,

- \( Chm \) – Expenses with direct raw materials and materials,
- \( Cs \) – The standard consumption,
- \( Ps \) – The price of standard supply,
- \( i \) – The product,
- \( j \) – The kind of raw material,

Qf - production quantity scheduled.

Material standards are developed by technical staff on technical documentation, taking into account the conditions under which runs the production process. These standards are characterized by their validity long time, 2-3 years, changing their appearance is required only on changes in manufacturing technology or new situations over the past, when preparing standards.

Standards of materials is calculated for each material as provided for in the composition of the product to be manufactured, based on the specific consumption of each product in the technology files.

Carriers of information are "bills of materials" and "limit consumer statement" that include data on quantities of raw materials and materials necessary to execute production schedules. Bills of materials and form of consumption limits are designed to determine the quantities of raw materials and components necessary to execute production schedules contained in intelligence. Input information coming mainly to the production of programs on production quantities scheduled start and finish terms etc., and work of technical preparatory concerning the characteristics and the specific consumption of raw materials.

Direct raw materials and materials used in the production must be disclosed in the notes in all material features such as shape, size, quality, measure units etc. These indications are in many cases, however, differentiated by technology equipment found on site (automatic, semiautomatic or universal) or technological processes provided (individual processing, simultaneous or group processing etc.). It is possible for the receipt of material to be part of several classes of components that run on different numbers, but the material with the same characteristics, requiring different amounts of technologic units. In this case, the total quantity that should be calculated on the receipt is the sum of partial quantities.

Thus grouped, the information is used for issuing the materials bills by order and by place of costs, within which all bills of material, indicating the identification number of voucher, quality of material, quantity of material, code of part or command to which the play is for material, amount of bond. Finally, voucher values are added together to determine the amount detailed schedule. To facilitate works of costing, quantitative standards set to go into "List of quantitative standards (Table 1).

<table>
<thead>
<tr>
<th>Quantitative standard</th>
<th>Table 1.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current issue</td>
<td>Direct raw materials and materials</td>
</tr>
<tr>
<td>1</td>
<td>Steel plate 5 mm OL 37</td>
</tr>
<tr>
<td>2</td>
<td>Steel Φ 60 mm OL 60</td>
</tr>
<tr>
<td>3</td>
<td>Steel Φ 65 mm OL 37</td>
</tr>
<tr>
<td>4</td>
<td>Lubricant RUL 100</td>
</tr>
<tr>
<td>5</td>
<td>Rivet 5,9 x 71</td>
</tr>
</tbody>
</table>

In order to establish the standard cost of raw materials and materials, the standard quantities are weighted with the standard supply prices.

Standard supply prices are established using historical statistics in one of the following versions:
- variant of average prices over a period of 5-10 years;
- variant of trend that takes account of the direction of price movements in the period considered;
- variant of using data from the immediately preceding stage which is developing standards.

In the current economic conditions, changes in prices and rates are common, which gives the standard value as the expression value of the physical standards, a less stable over time. It is proposed in the machine building enterprises that purchase prices to calculate the standard based on purchase prices achieved during the period immediately preceding stage which is developing standards, updated in light of changing prices. To reflect the accurate accounting of materials, in machine building companies too, we propose using the actual cost of supply, so by including transport costs-supply purchase cost of raw materials and supplies. Prices set as standard are entered in the "Standard price list" (Table 2).

<table>
<thead>
<tr>
<th>Standard price list</th>
<th>Table 2.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current issue</td>
<td>Direct raw materials and materials</td>
</tr>
<tr>
<td>1</td>
<td>Steel plate 5 mm OL 37</td>
</tr>
<tr>
<td>2</td>
<td>Steel Φ 60 mm OL 60</td>
</tr>
</tbody>
</table>
To exemplify the standard cost calculation for direct raw materials and materials we consider the command number 1056/12.02.2009 representing product “Central bolt for landing gear”, as follows (Table 3):

<table>
<thead>
<tr>
<th>Current issue</th>
<th>Direct raw materials and materials</th>
<th>Quantitative standard</th>
<th>Standard price</th>
<th>Standard value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Steel plate 5 mm OL 37</td>
<td>0.176 kg</td>
<td>18.57 lei/kg</td>
<td>3.27 lei</td>
</tr>
<tr>
<td>2</td>
<td>Steel Φ 60 mm OL 60</td>
<td>3.710 kg</td>
<td>15.19 lei/kg</td>
<td>56.37 lei</td>
</tr>
<tr>
<td>3</td>
<td>Steel Φ 65 mm OL 37</td>
<td>1.200 kg</td>
<td>13.83 lei/kg</td>
<td>16.59 lei</td>
</tr>
<tr>
<td>4</td>
<td>Lubricant RUL 100</td>
<td>0.040 kg</td>
<td>42.62 lei/kg</td>
<td>1.70 lei</td>
</tr>
<tr>
<td>5</td>
<td>Rivet 5.9 × 71</td>
<td>0.017 kg</td>
<td>64.85 lei/kg</td>
<td>1.10 lei</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>79.04 lei</strong></td>
</tr>
</tbody>
</table>

These results will be incorporated in the approach more cost calculation based on standard-cost method, the standard cost sheet of product “Central bolt for landing gear”.

If at the machine-building enterprise level the enforcement is the finished product, manufacturing in particular polling stations hot or cold producing they are in a certain stage of the manufacturing cycle of finished products in terms of sub-assemblies or parts nomenclature product. The content and structure of production programs are different from those sections of the program’s production company, meaning that if the undertaking is intended final product, spare parts and working with other units, the production schedules of some sections are contained semi - for the manufacture of natural and semi-production for cooperation between departments.

The cost of the semi-producer is in a separate calculation article in production cost structure produced by companies for machine building industry, since production is complex, characterized in that it carries on the technological processes in which different parts of finished product is running in parallel and in different jobs in the same enterprise, and the final product is obtained by assembly.

Thus, under the general stream of manufacturing in a machine-building enterprise, department produces semi foundry (metal enclosures, parts support, other parts) to be used as components of assembled orders machining department.

Standard expenses of semi-produced from own production is set weighing standard quantitative consumption of standard unit cost of semi-product. Standard consumption of semi-products are record in consumer bills or limit sheets within which the two elements of standard expenses with semi-products, quantitative element - the element value consumption standard - the standard unit cost, using the same methodology as applied to direct raw materials and materials.

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Mergers and Acquisitions - Tax Aspects

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Key words: financial flows, corporate financing, valuation techniques.

Abstract: Each transaction of fusion or acquisition is single and requires the examination of several particular factors which must be analyses during preliminary control. In each situation, tax planning will constitute an important and complex stage. This is why it is imperative to plan these transactions carefully in order to reduce the tax burden of the salesman and to make the transaction least expensive possible from a point of view tax for purchaser.

The central objective of the transactions of fusions and acquisitions, the companies try to be dissociated their competitors and to increase thus richness of their shareholders. tax repercussions relative to these transactions are often considerations major. crucial stage to carry out a transaction successfully of fusion or acquisition is the preliminary control (due diligence review) which a whole of procedures includes/understands of investigation and examination having for object obtaining rather large numbers information about salesman in order to prevent the bad ones surprised being able to occur after enclose transaction of fusion or of acquisition.

The mandate of preliminary control is entrusted to a team of professionals who generally includes auditors and legal advisers.

This stage calls upon several disciplines, of which accountancy, finance, management, the taxation, strategy financial and right. Moreover, analysis must be carried out in an integrated way. From the tax point of view, the transaction of fusion or acquisition can to aim at the acquisition and the sale of the actions or the acquisition and the sale of the credits.

In the event of acquisition actions of a company preliminary control allows the evaluation of the tax profile of the target company in order to hold of it account at the time of the negotiation of the price of acquisition.

The auditors grant also a detailed attention with convincing elements concerning assessed valuation of each credit held by the target company, with the losses deferred and their source, and with the other deductions. The tax elements usually re-examined during preliminary control are:

- Balance deferred of the tax credits to the investment
- Balance of the losses other than in capital
- Balance of the losses of capital
- Balance of the categories of damping tax (FNACC)
- Deduction for small company
- Benefit of manufacture and transformation
- Tax credits for the activities of scientific research and development experimental
- Tax credits for creation acceptable employment.

Connections between the financial statements and the income tax returns by examining particularly the related notes with the income taxes and the possibilities allows to update litigations with the tax authorities.

The legal aspect of preliminary control accentuates the official reports in order to recall likely operations to involve tax consequences like the declarations of dividends in capital or distributions under form reduction of the versed capital. It is necessary to analyze all the important contracts in order to determine the elements being able to have a tax impact.
The documents examine by the jurists are the following:

- Register of the shareholders
- Agreements governing the modes of options to buy of actions
- Contracts of acquisition of credits
- Contracts of financing.

To make sure of the respect of tax choices, the salesman sign a “letter of declaration” in which one certifies that it will carry out them tax choices in accordance with the agreement intervened with the purchaser. In this letter, the salesman attests that their information and tax documents that it provided within the framework of preliminary control are exact and complete.

The letter of declaration can lay down the payment by the salesman of one compensation for various reasons, as in the cases of abuse confidence or of contributions of taxes for years former to acquisition; the calculation of the compensation being envisaged in the contract of purchase. The other clauses laid down in this letter of declaration are:

- Clauses certifying the production of the income tax returns within the deadlines
- Clauses certifying the payment of all the taxes
  - to define the word “taxes”
  - Income tax
  - Deductions with the source
  - Customs, etc
- Clauses envisaging the outcome of certain problems such as:
  - Contributions of taxes for years former to acquisition
  - Refunding of taxes for years former to acquisition

Like principal methods to carry out a project of fusion or of acquisition the economic literature retains the acquisition and the sale of the credits and acquisition and the sale of the actions. By tax reason, the salesman usually prefers to yield its actions (it carry out a capital gain of which a part is not taxable). The tax advantage sale of the actions is even larger if several private individuals hold the actions because each one of them to exemption be is entitled.

In the case of the sale of the credits, shareholders of the target company cannot generally profit advantages related to the capital gains; the company of which they are shareholders must pay taxes on the tax profits relating to the transfer of the credits and liquidation of the company involves for them a taxable dividend.

As regards purchaser, the acquisition of the credits proves to be the most advantageous method on the plan tax; the amount used for calculation of tax damping corresponds at the price paid for the goods and this paid price generally the assessed valuation of the goods exceeds belonging at the target company, the deduction for damping will be raised in future exercises.

In other words, the tax considerations constitute a major stake in the negotiations; to minimize the tax consequences for the salesman, this last could accept a less price, it salesman should logically accept the offer which will get the amount to him after taxes highest.

In the event of the acquisition of the credits, the risk is in general less low than that which rises from the purchase of the actions. Because the purchaser is not responsible for the tax past of the company acquired, control precondition is limited mainly to checking of the distribution of the price of purchase agreed upon between the parts (when credits are acquired or sold in block) and for respect of the joint tax choices.

With regard to the purchase price, the purchaser normally may find it beneficial to affect a greater part of the price of acquisition to the goods profiting of an accelerated rate of depreciation. Interests of the salesman in distribution of the selling price are with opposite of those of the purchaser.

The goal of the salesman is to minimize their taxes resulting from the sale of the credits, it generally may find it beneficial to allot the greatest proportion product of the sale to the categories goods whose transfer involves less tax consequences. He will want also to minimize the allocated amount with the goods in inventory or the redeemable goods being the subject of a high recovery of the deduction for damping.

Another advantageous tax choice is offered with regard to the accounts customers, in the American law being envisaged the possibility of purchaser of deducing from the income the bad debts or to establish a provision in their connection following the purchase of the company. As for the salesman of the accounts customers, the same law allows him to entirely deduce, as loss, the difference between the face value of the clients’ accounts and the proportion of the price selling awarded to the latter.

The purchaser can claim, in the year of acquisition, for the redeemable goods a deduction for damping which do not exceed half of the amount which it could normally deduce. In the event of the
salesman, the transfer of redeemable goods with an amount more raised that the paid price involves the recovery of the deduction for damping and the realization of a profit in capital.

In acquisition of the actions, a basic concept is that of acquisition of the control which can take place during acquisition of a sufficient number of actions resulting in transferring its statutory audit of the salesman to the purchaser.

Some operations, such as one repurchase of actions or cancellation actions, can involve an acquisition of control for tax purposes.

Tax consequences rising of an acquisition of control are many:

1. Firstly, the company whose control was acquired is famous to have an end of the year of imposition at the date of acquisition of control, and a new year of assessment is considered to start at this time.

2. A second consequence of the application of the rules on acquisitions of control relates to the losses other than in capital. Usually, all them losses which are undergone before the acquisition of control cannot be deferred against profits or profits carried out afterwards the date of acquisition of control. Of even, undergone deferred losses after the date of acquisition of control cannot be used against profits or of the profits carried out before go back to acquisition of control. However, of the particular rules apply the losses in the case of firms selected “different losses that in capital” for tax purposes.

   Indeed, the losses undergone before the acquisition of control can be deductible if the company whose control was asset continues to exploit the same one company or a similar company with a reasonable expectancy of profit.

3. Thirdly, the tax law contains particular restrictions with regard to the losses which are not carried out. Indeed, the latent losses, which consist of losses not carried out on goods the such redeemable goods, goods irredeemable, goods in acceptable fixed assets, stocks and them clients' accounts, are famous being realized immediately before the date of acquisition of control. Moreover, any latent final loss on a redeemable good it increases balance different losses that in capital and can be deduced only if the same company or a similar company is exploited.

4. Finally, the purchaser wants to profit from the balances of account of dividend in capital (which includes the nontaxable portion of the capital gains) and account of tax in refundable hand with title of dividend (which is constituted of taxes which were paid by the company on its incomes of placements and on certain dividends and which would be refunded at the target company when it pours dividends with its shareholders) of the target company.

   Legal expenses and accountants represent a share important of the expenses engaged at the time of one transaction of fusion or acquisition. For the purchaser, these expenses are not deductible in the year during which they were committed because they are by capital type and increase it rather cost of the acquired goods. In the case of the acquisition of the actions of a company, the legal and countable expenses increase the cost of the actions only if acquisition is successful. If they are related with a missed attempt at acquisition actions, they can be treated like a good in immobilization acceptable if the company can show that acquisition envisaged the integration of the activities of the acquired company with that of the purchaser. In the case opposite, the committed expenses could not to get any tax advantage. As for the expenses engaged by salesman, they constitute deductible expenditure for tax purposes.

   Acquisition can be financed by the payment of a counterpart monetarist regulated with very the liquidities of the purchaser, the financing external or by the emission actions.

   A) Financing of acquisition with the surpluses of liquidities of the purchaser does not involve a particular tax consequence.

   B) In the case of a financing by loan, the principal concern of the purchaser is to ensure itself of the deductibility of the interests. If the purchaser does not have the assessed incomes necessary (of which it can withdraw them interests), it can plan acquisition so that the interests are deductible for the target company.

   C) In the case of a financing by actions, the purchaser must realize that the payment of dividends to the shareholders can involve one cost of higher financing because the dividends are not deductible from the assessed income. If the financing is carried out by the issue of shares, the expenses related with this emission must also be capitalized and deadened over five years.

   The tax authorities specify that expenses of financing engaged with regard to an emission actions cannot be deductible that if the company carries out really the transaction of fusion or acquisition.
The impact of a Fusion Acquisition on the policies human resources is generally very important. Remuneration is in the middle of the problems of the bringing together of companies. The questions to study go from the upstream (accounting of social engagements in IFRS, remuneration and development of consumer loyalty of the leaders) until the harmonization of the policies of remuneration, of the staff regulations as regards classification, variable remuneration and welfare benefits. These interventions also cover with the key aspects of the success of these projects of fusion with the remuneration of commercial which are key in the success of the objectives of fusion and bringing together of companies.

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Different Forms of Financial Audit

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Key words: audit, auditor, financial statement.

Abstract: The audit classification often belongs to different authors who imposed their own criteria, realising more or less reality-anchored classification schemes. Among the numerous criteria used in the specialty literature, we shall refer in this paper only to two of them: according to the scope and according to the affiliation of financial auditors. By carefully analyzing the two criteria, we shall observe that there are, in fact, two audit forms: the external audit and the internal audit.

Introduction
This paper intends to present different opinions regarding the main types of financial audit, identified by the specialized literature. This term was introduced in Romania in 1990 as a method to harmonize the national regulations with the international one. The first specialized book named “Norms for financial audit and certifying the balance sheet” was published in 1995 under C.E.C.C.A.R. supervision and represented the first guide for the accounting professionals of Romania. In this book we can find the first definition of financial audit, as well the other issues regarding the auditor and his activity.

Thus, the audit fundamentals were settled down having as main objective improving the use of information in order to deliver a responsible and independent opinion regarding the preparation of financial statements.

Classification of audit
Since its appearance up today, financial audit has known various classifications more or less connected to reality.

The authors that studied the audit tried to impose their own classification by using different criteria, more often than not original.

Finally, we try to present the financial audit classification using as criteria the most often invoked in the literature.

Therefore, some authors are classifying the audit using the following two criteria [4, 2002]:

- According to the scope:
  - Financial audit (the audit of financial situations)
  - Conformity audit
  - Operational audit

- According to the affiliation of financial auditors:
  - Extern audit
  - Internal audit
  - Governmental audit

Financial audit (the audit of financial statements) involves the examination of financial statements based on audit tests to certify that the information described in them (in this case on the balance sheet, income statement, statement of cash flows, etc.) are made accordingly with the national accounting
standards, international standards or other predetermined criteria. Such type of audit can be performed by several categories of auditors, but generally it is associated with external auditors (independents).

**Conformity audit** is also called regular audit and it is designed to provide a reasonable picture regarding the detection of errors resulted from disrespecting the law, contract and policy regulations of the entity [10, 2007]. Therefore, conformity audit verifies if an entity comply with legal or contractual stipulations or if it complies with their own policies and regulations established by the Board. Compliance audit may be performed by several categories of persons, including:

- internal auditors to review the entity’s procedures;
- tax inspectors employed by the State for the fiscal control;
- external auditors, expert accountants for auditing the compliance of state subsidized programs, etc.

**Operational audit** (the audit of performance) consists in expressing an opinion on the activities or different parts of entity activities, if these are in accordance with a set of established criteria [3, 2007]. Regarding this type of audit, there are some controversies in the specialized literature on the concept of operational audit, because there are some authors that name it managerial audit or management audit or audit of performance, while others are using all the names, arguing that they mean the same thing.

It is interesting that some authors [10, 2007] consider that using the name of performance audit is the most proper manner to avoid confusion or subjective interpretations. Moreover, the International Supreme Control Institutions (International Organization of Supreme Audit Institutions – INTOSAI) speaks about an audit of performance but associate it with public finance. INTOSAI defines performance auditing as "an audit of the economics, efficiency and effectiveness with which the audited entity uses its resources for accomplishing the responsibilities which they have" [7, 1999].

Considering the exposed above, we subscribe to the opinion of the author quoted that would be more appropriate to use the name of performance audit to operational audit’s detriment. Unlike other types of audits, an operational audit is more difficult to achieve because it imposes subjective conformity criteria is subjective and, therefore, it is closer to management consulting.

If we draw a parallel between financial and operational audits, we will found that between them there are, at least, three differences, structured as follows:

- **purpose of audit:**
  - financial audit verifies if the historical information are correct, being more oriented to the past;
  - operational audit has in view efficiency and effectiveness of the activity, it is forward-looking.

- **destination of the reports:**
  - financial audit is addressed to different kind of users;
  - operational audit is addressed to managers.

- **operational audit uses a lot of non-financial information.**

Summarizing and by comparison, all three audit types of audit, classified by the first criterion, could be presented as follows:

<table>
<thead>
<tr>
<th>TYPE OF AUDIT</th>
<th>THE OBJECT OF EXAMINATION</th>
<th>CRITERION</th>
<th>CONTENT OF THE REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>The audit of financial statements</td>
<td>Information from financial statements</td>
<td>National and international norms of accounting</td>
<td>Opinion on financial statements</td>
</tr>
<tr>
<td>Conformity audit</td>
<td>The actions of a natural or legal person</td>
<td>Policies, norms, laws, regulations</td>
<td>In accordance with the criterion</td>
</tr>
<tr>
<td>Operational audit</td>
<td>The activity or a part of an entity activity</td>
<td>Different objectives</td>
<td>Recommendations to improve the activities audited</td>
</tr>
</tbody>
</table>

**External audit** is known as well as independent audit or contractual audit. This type of audit "is in its essence a control of the invoice accounting conducted by the professionals in the field in order to increase the usefulness and credibility of information disseminated by the company accounts abroad or, more
precisely said, the firm is required, is willing or is interested to make them public for the use of third parties” [5, 2000].

From the point of view of relationships between the auditor and his client, external audit can be divided into:

- statutory audit and
- contractual audit.

External audit is also known as contractual and financial audit which is conducted by independent auditors, engaged under a contract of cooperation. External audit service can be made by individuals or legal entities (practices or audit firm), members of the Chamber of Auditors of Romania (CAFR), as provided by this professional body. The audit report prepared by the external auditor represents his opinion regarding the regularity and sincerity of the accounting data and is designed for all categories of users.

**Internal audit** – “is an independent assessment activity, for the leadership of an economic agent, by examining the accounting, financial and other operations ..... which operates by measuring and evaluating the quality of other control actions ..... being a control of compliance of accounting entries, reports, assets, capital and results” [1, 1999].

Please note that internal audit should not be confused with another business’s monitoring activity that is internal control. Between the two there is no relationship of subordination, they are independent of each other, being conducted by different individuals.

Typically, internal auditors are employees of entities being subordinated to the manager or to the General Assembly of Shareholders and may carry both a conformity audit as well as a performance one. Also, in our country the censor can fulfill the mandate of internal auditors.

Essentially for an effective internal audit activity is the auditor independence. The role of internal auditing is to assist management by providing analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed.

Examining, by comparison with external audit, the objectives, the advantages and disadvantages of internal audit, we’ll get the following picture [2, 2008]:

<table>
<thead>
<tr>
<th>CONTROL</th>
<th>COUNSELING</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>EXTERNAL AUDIT</th>
<th>INTERNAL AUDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADVANTAGES</td>
<td>- jurisdiction of the specialist</td>
</tr>
<tr>
<td></td>
<td>- procedures’ experience</td>
</tr>
<tr>
<td></td>
<td>- total independence</td>
</tr>
<tr>
<td></td>
<td>- new and neutral vision</td>
</tr>
<tr>
<td></td>
<td>- meaning</td>
</tr>
<tr>
<td></td>
<td>- knowing the environment</td>
</tr>
<tr>
<td></td>
<td>- action ongoing</td>
</tr>
<tr>
<td></td>
<td>- possibility of tracking (strategy)</td>
</tr>
<tr>
<td></td>
<td>- in-depth analysis</td>
</tr>
<tr>
<td>INCONVENIENTS</td>
<td>- pointed approach</td>
</tr>
<tr>
<td></td>
<td>- general recommendations, often superficial</td>
</tr>
<tr>
<td></td>
<td>- influence of environment</td>
</tr>
<tr>
<td></td>
<td>- routine term</td>
</tr>
<tr>
<td>OBJECTIVES</td>
<td>- global analysis and advisory (areas: accounting and finance)</td>
</tr>
<tr>
<td></td>
<td>- helping the leadership</td>
</tr>
</tbody>
</table>

**Governmental audit** is conducted by employees of government institutions and parliamentary government (Finance Ministry, the Court of Auditors, town halls, etc.) and provides the auditing of:

- legal persons, in order to determine whether taxes and fees were properly calculated and transferred according to the laws in force (audit of conformity). The employees of central and local administration are in charge of such a type of audit.
- individuals to determine taxes and fees that they have to pay according to legal regulations (audit of conformity). Those who made such an audit are employed by the local government.
- programs, functions, activities and government investments, having in view:
  - the use of public funds in accordance with legal provisions in force (audit of conformity);
  - the efficiency and effectiveness of budgetary appropriations.

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Conclusions

Since generally accepted and verified criteria do not exist in order to enable a uniform classification of types of audit, they are recognized by the specialized literature in a variety of forms.

The classification made by the auditor purpose highlights many differences between financial, conformity and operational audit. Using as the criterion for classification the membership of the statutory auditors we will also find many advantages and disadvantages given mainly by the objectives pursued by the auditor. However, despite the differences between different types of audit, the final goal is the same: to ensure users that the audited product complies with quality standards.

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The Substantiation of Prices by the Breakeven Method

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Key words: breakeven point, price, production, costs, formula

Abstract: The estimation of prices which can ensure a company the overcoming of the breakeven point can be realized only when the demand functions and the function of costs afferent to the products the company manufactures and sells are known. The procedure uses quite simple economic-mathematical instruments, offering very useful results. Its presentation is based on an ensemble of hypothetical data which can reflect anytime a real case.

Solution

By breakeven point we understand the production level for which the company registers neither profit, nor loss (for which its total income is equal to total expenses). It is also called critical production. Therefore, for each i product the breakeven point corresponds to the equalities:

\[ V_i = C_i \]
\[ V_i - C_i = 0, \]

where: \( V_i \) - total incomes obtained from i product sale; \( C_i \) - total costs afferent to i product.

And:

\[ V_i = Q_i p_i \]
\[ C_i = Q_i c_{vi} + C_{fi}, \]

where: \( Q_i \) -(marketable) production of i type in physical units; \( p_i \) - the selling price of I product for which the demand is maintained at \( Q_i \) level, and the company can obtain neither profit nor loss; \( c_{vi} \) - variable unitary cost of i product; \( C_{fi} \) - total fixed costs afferent to i production.

Taking into account that in the second equality the measures \( V_i \) and \( C_i \) are replaced by their calculus expressions, there results:

\[ Q_i p_i = Q_i c_{vi} + C_{fi}. \]

From this relation we can deduce both the formula for the breakeven point price calculus:

\[ p_i = \frac{Q_i c_{vi} + C_{fi}}{Q_i}, \]

which can be brought to the form:

\[ p_i = c_{vi} + \frac{C_{fi}}{Q_i}, \]

and the formula for the breakeven calculus.
1. In order to exemplify the way of determining the prices ensuring only the non-profit survival of the company, we will take into consideration the data from Table 1 (regarding a Romanian company F which has the possibility to manufacture and deliver five types of products).

<table>
<thead>
<tr>
<th>Types of products</th>
<th>Annual production (pieces)</th>
<th>Total variable costs (lei)</th>
<th>Out of which Direct material costs (lei)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2,000</td>
<td>4,400,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>B</td>
<td>3,000</td>
<td>9,000,000</td>
<td>7,500,000</td>
</tr>
<tr>
<td>C</td>
<td>1,500</td>
<td>4,500,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>D</td>
<td>5,000</td>
<td>10,000,000</td>
<td>8,000,000</td>
</tr>
<tr>
<td>E</td>
<td>10,000</td>
<td>6,000,000</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>33,900,000</td>
<td>26,500,000</td>
</tr>
</tbody>
</table>

The total fixed annual costs of the company are 12 million lei.

a) The starting point of determinations will be the total fixed costs for types of products.

Knowing the total direct material costs for each and every type of product (they have the greatest share in the total variable costs), the repartition keys of the company’s total fixed costs on the five types of products will be calculated according to them, by using the relation:

\[ k_i = \frac{C_{m_i}}{C_m} \]

Where \( C_{m_i} \) - direct material costs afferent to I type products; \( C_m \) - direct material costs afferent to the entire five-type production.

Therefore:

\[ k_A = \frac{3}{26.5} = 0.11; \quad k_B = \frac{7.5}{26.5} = 0.28; \quad k_C = \frac{3.5}{26.5} = 0.13; \]

\[ k_D = \frac{8}{26.5} = 0.30; \quad k_E = \frac{4.5}{26.5} = 0.17. \]

By means of these repartition keys, we will determine the total fixed costs on types of products, using the relation:

\[ C_{f_i} = C_f \cdot k_i. \]

Knowing that at the company level, the total fixed costs are of 12 million lei, it means that:

\[ C_{f_A} = 12 \cdot 0.11 = 1.32 \text{ million lei}; \quad C_{f_B} = 12 \cdot 0.28 = 3.36 \text{ million lei}; \]

\[ C_{f_C} = 12 \cdot 0.13 = 1.56 \text{ million lei}; \quad C_{f_D} = 12 \cdot 0.30 = 3.60 \text{ milioane lei}. \]

\[ C_{f_E} = 12 \cdot 0.17 = 2.04 \text{ million lei}. \]

b) The unitary variable costs afferent to the five types of products are obtained by proportion of total variable costs to the production level:

\[ c_{v_i} = \frac{C_{v_i}}{Q_i} \]

Therefore:

\[ c_{v_A} = \frac{4,400,000}{2,000} = 2,200 \text{ lei}; \quad c_{v_B} = \frac{9,000,000}{3,000} = 3,000 \text{ lei}; \]
c) By means of the necessary information we can, finally, determine, the prices the company will sell the five products without registering profit or loss. These prices will be:

\[
p_A = 2,200 + \frac{1,320,000}{2,000} = 2,200 + 660 = 2,860 \text{ lei;}
\]
\[
p_B = 3,000 + \frac{3,360,000}{3,000} = 3,000 + 1,120 = 4,120 \text{ lei;}
\]
\[
p_C = 3,000 + \frac{1,560,000}{1,500} = 3,000 + 1,040 = 4,040 \text{ lei;}
\]
\[
p_D = 2,000 + \frac{3,600,000}{5,000} = 2,000 + 720 = 2,720 \text{ lei;}
\]
\[
p_E = 6,000 + \frac{2,040,000}{10,000} = 6,000 + 204 = 6,204 \text{ lei.}
\]

Naturally, these prices are equal with the production unitary cost levels.

2. The prices which will ensure the company, for each and every product, a certain profit (of at least 20%) will be determined by means of the following relation:

\[
p_i = c_i (1 + \frac{r_p}{100})
\]

where: \( r_p \)- \( r_p \) - percentage profit rate; \( c_i \) - unit cost for I type product (which are equal here with the already calculated \( p \) prices)

As, in our application:

\[
1 + \frac{r_p}{100} = 1 + \frac{20}{100} = 1 + 0.2 = 1.2,
\]

It means that:

\[
p_A = 2,860 \cdot 1.2 = 3,432 \text{ lei;}
\]
\[
p_B = 4,120 \cdot 1.2 = 4,944 \text{ lei;}
\]
\[
p_C = 4,040 \cdot 1.2 = 4,848 \text{ lei;}
\]
\[
p_D = 2,720 \cdot 1.2 = 3,264 \text{ lei;}
\]

The determination of both categories of prices was based on the knowledge of variable and fixed costs, as well as on the type production level. The approach was, thus, from production to prices.

3) In order to exemplify the breakeven point calculus method, we will take into consideration the external market prices and not the production of the five types, following a reverse approach (from prices to production), by using the data from table 2.

<table>
<thead>
<tr>
<th>Types of products</th>
<th>Unitary variable costs (lei)</th>
<th>Total fixed costs on types of products (lei)</th>
<th>External market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2,200</td>
<td>1,320,000</td>
<td>2,860</td>
</tr>
<tr>
<td>B</td>
<td>3,000</td>
<td>3,360,000</td>
<td>4,120</td>
</tr>
<tr>
<td>C</td>
<td>3,000</td>
<td>1,560,000</td>
<td>4,040</td>
</tr>
<tr>
<td>D</td>
<td>2,000</td>
<td>3,600,000</td>
<td>2,720</td>
</tr>
<tr>
<td>E</td>
<td>6,000</td>
<td>204,000</td>
<td>6,204</td>
</tr>
</tbody>
</table>
Note: So as not to enter a vicious circle, we will remark that the data in this table have no connection with the already done determinations, as they have the quality of initial data.

In order to deduce the critical point formula, we will come back to the equality:

\[ Q_i p_i = Q_i c_{vi} + C_{fi} , \]

where we will replace \( Q_i \) with \( Q_{ci} \) (which is the breakeven point or the critical production of I type), obtaining thus the equalities:

\[
Q_{ci} p_i = Q_{ci} c_{vi} + C_{fi} \\
Q_{ci} p_i - Q_{ci} c_{vi} = C_{fi} \\
Q_{ci} (p_i - c_{vi}) = C_{fi}.
\]

The last equality leads us to the breakeven point formula:

\[ Q_{ci} = \frac{C_{fi}}{p_i - c_{vi}}. \]

As:

\[ p_i = c_{vi} + c_{fi}, \]

It results that:

\[ p_i - c_{vi} = c_{fi}, \]

what leads us to a simpler formula of the breakeven point, which does not suppose the prior estimation of the market prices.

\[ Q_{ci} = \frac{C_{fi}}{c_{fi}}, \]

where: \( c_{fi} \) - fixed costs on I product unit.

According to \( p_i \) prices and to \( c_{vi} \) variable costs on product unit, there can be established the fixed costs on I product unit.

\[
c_{fa} = 2,860 - 2,200 = 660 \text{ lei}; \quad c_{fa} = 4,120 - 3,000 = 1,120 \text{ lei}; \\
c_{fc} = 4,040 - 3,000 = 1,040 \text{ lei}; \quad c_{fc} = 2,720 - 2,000 = 720 \text{ lei}; \\
c_{fe} = 6,204 - 6,000 = 204 \text{ lei}.
\]

As a result:

\[
Q_{cf_a} = \frac{1,320,000}{660} = 2,000; \quad Q_{cf_s} = \frac{3,360,000}{1,120} = 3,000; \\
Q_{cf_c} = \frac{1,560,000}{1,040} = 1,500; \quad Q_{cf_o} = \frac{3,600,000}{720} = 5,000; \\
Q_{cf_e} = \frac{2,040,000}{204} = 10,000.
\]
As it can be observed, if the approach is from the market prices to the production for each of the five types of products, the levels from table 2 are obtained.

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The State Regulation Mechanism in Price Theory

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Keywords: price, state policy, demand, supply

Abstract: As a rule, the influence of such factors is judged through the instruments made available by the balance theory, being largely treated in the economic theory during the last years. As we are concerned, we intend ourselves to analyze it under the perspective of the same integrated vision, by mentioning the other two theories: that of the work value and of the utility.

It is very probable that the notion of price is the most frequently evoked and used in economies, in explaining the mechanisms those defines and regulate it. Even in our daily life, the implications of prices on the existence, poverty or wealth, calmness or uncertainty, political choices, the level and structure of consumption, the evolution of revenues and buying power etc. are strongly felt, fact that explains man’s concern, sometimes obsessive, for the price evolution and level.

Usually, the influence of such factors is judged by means of the instruments made available by the theory of equilibrium, being thoroughly analysed in the recent economic literature. As far as we are concerned, we propose to analyse it from an integrative point of view, referring to the following two theories: the value of work and utility.

One of the ways in which the state intervenes in the price formation process is the establishing of some minimum and maximum levels for certain prices.

In order to support some producers, the state can impose, by certain normative acts, minimum levels for the prices they are going to cash, trying thus the encouragement of the branches that are considered vital for the national economy.

If the state cannot afford the subsidy of production, admitting that its laws are however observed, the black market will no longer impose its baneful presence, the principle The one who pays more, buys! being annulled. Another principle will be imposed:

first come = first served

that is probably more inequitable than the other one. Thus, there would be left the measure of rationalisation (couponisation) of consumption that, however equitable it may seem at first sight, is, without doubt, one of the negative effects of the price limitation (this negative effect does not help consumers in any way).

As the state cannot offer compensations or subsidies and does not have the possibility to purchase goods from its own funds, it cannot help consumers or producers, just by the simple action of limitation. The effects of such (purely administrative) action on consumers are highly negative.

Affecting the demand-supply report, the influences of price limitation (by the state) on the mechanism of price formation can be explained not only according to the theory of equilibrium, but also according to the theories of work and value utility (the modification of the demand – supply equilibrium points, causing changes both at the level of the socially necessary working time, as well as the final marginal utility).

The taxes charged by the state can directly aim either the producers, or the consumers, in both cases having deep effects on prices.

If taxes aim the producer, applying on its sales, their effects on prices are as suggested by Figure 1:
Thus, if the tax on product unit would be \( i \), immediately after its introduction, the producer will have the tendency to increase the initial equilibrium price \( (p_e) \) and to bring it to the level \( p'' \):

\[
p'' = p_e + i,
\]

transmitting thus their whole burden on consumers. If it would proceed this way, at the new price, the demand would be considerable reduced, becoming equal with \( Q'' \), what would be unfavourable for producers. Not being able to transfer the entire tax on buyers (only with unacceptable negative effects), the global offer will be discouraged by the intervention of the state, registering a leap from position \( O \) to position \( O' \) (the distance between the two curves, measured on the price axe being equal with \( i \), the equilibrium demand-offer being re-established in point \( E' \). As an effect, the market price will rise (from \( p_e \) \( \text{a} \) \( p' \)), but not with \( i \) monetary units, but only with \( \Delta p_c \) units:

\[
p' = p_e + \Delta p_c,
\]

where: \( \Delta p_c \) - the part of \( i \) tax paid by consumers

The difference:

\[
i - \Delta p_c = \Delta p_v
\]

(between the tax or total tax and the part paid by consumers) will be the part (from \( i \) paid by sellers (producers), its measure \( (\Delta p_v) \) being imposed by the market laws.

As:

\[
i = \Delta p_c + \Delta p_v,
\]

The way in which the measure \( i \) is divided between buyers and sellers depends on the elasticity of demand according to the price.
Therefore, by imposing some taxes to producers (of \(i\) monetary units per product or by \(i\) sales percents), the market price will be changed (risen), but not with \(i\), but only with \(\Delta p_e\) units (percents), the effort of their payment being divided between the producers and consumers.

If the same taxes are set as a sum of money \(i\) on unit of purchased merchandise, their influence on prices is realized according to the mechanism exposed in Fig. 1, with only one difference, in the case of leaps from one curve to another the demand will suffer, not the supply, the equilibrium being re-established at a lower level of the price (the burden of their payment being thus taken, partly, by the producers, directly proportional to the elasticity of supply according to the price).

The granting of subsidies and compensations, as shown in the previous paragraph, has similar effects on prices, this time being contrary to those already analysed.

Thus, the subsidies granted by the state to producers (in order to encourage the offer) will determine variations of prices according to the mechanism emphasised in Figure 2.

![Fig. 2. The implications of subsidies on prices](image)

In the situation when, the subsidy granted by the state is of \(s\) monetary units on product unit, the offer will be stimulated, registering a leap to the right, from the initial position \(O\) in position \(O'\) (the distance between the curves \(O\) and \(O'\), measured on the price axe, being equal with \(s\)). In consequence, the demand – supply equilibrium will be re-established in point \(E'\), the price of equilibrium decreasing from \(p\) to \(p'\).

As it can be observed, the price is not reduced this time either with \(s\) lei, as it is the subsidy on product unit, but only with \(\Delta p_v\) lei (\(\Delta p_v\) being the part of the subsidy granted to the producer that he cedes, under the pressure of the demand and supply law, to the consumer, fact that stimulates the demand – that thus grows from level \(Q_e\) to level \(Q'\)). Therefore, the part from the subvention \(s\) that the seller (producer) will beneficiate from, will be only of \(\Delta p_v\) lei:

\[
\Delta p_v = s - \Delta p_e.
\]

The effects (on prices) of the subsidies granted by the state to consumers will be produced according to the same mechanism, involving the movement (to the right) of the demand curve, concretising, not in the reduction, but in the rise of prices. The ones who will beneficiate from them are the producers, together with the consumers\(^1\).

\(^1\) The case study will be developed in the work for the POSDREU project „Calificări și standardizare europeană în asistență socială – EUR-AS” Contract nr. POSDRU/18/1.2/G/11966
Analysing things from the point of view of the labour theory of value, it is to be noticed that the taxes paid by producers are transformed into elements of costs (or in negative components of the profit), their introduction having as effect their growth. Increasing the physical and intellectual effort made for obtaining the product, the offer will be discouraged, its reduction making impossible to meet a part of the people’s consumption needs.

In order not to affect too much their consumption, buyers, by their behaviour on the market, will admit that a greater effort is socially necessary for the production of the merchandise, accepting (by the competition appearing between them) a price rise (by which, in fact, they take a part of the burden of taxes to be paid by the consumer, the other part reducing the latter’s profit - a profit that he will share with the state).

On the other hand, by receiving subsidies from the state, producers will have the possibility to purchase the merchandise at a lower cost, the reduction of costs encouraging the offer. As soon as there will be a certain abundance of goods on the market, the consumers (no longer threatened by the risk of not being able to procure their merchandise) will admit as socially necessary (for the purchase of the same merchandise) a smaller effort (physical and intellectual), having as a consequence the price reduction (by which the producer cedes to consumers a part of the received subsidy).

Similarly, the price changes can be explained when the taxes and subsidies aim consumers.

By analysing the implications of taxes and subsidies (on price) from the point of view of the theory of utility, the resulted conclusions are the same. Thus, the reduction of supply, determined by the perception of taxes from producers, will create the danger that a part of consumers might remain without merchandise. As a result, the competition between them makes the final marginal utility of the merchandise recognised on the market increase (under the law of the decreasing marginal utilities), the price rising in direct proportion. At the same time, the increase of supply as a result of subsidy granting to producers, by the action of the same laws, will determine the reduction of the final marginal utility of the good, reason for which the price will be reduced, too.

If taxes aim directly the consumers, being paid as a percent of their nominal revenues earned in different ways, it is evident that these taxes will diminish the buying power, causing leaps downwards (and to the left) of the budgetary lines and the indifference curves. According to the equilibrium realization mechanism at a microeconomic level (at the consumer’s level), these leaps will lead to modifications of supply, which, at macroeconomic level, will determine leaps from a curve (or line) on another one. As a consequence, the prices of merchandises will change, as well (they will rise). At the same time, the subsidies granted to consumers, by increasing their revenues, will cause upwards leaps (and to the right) of the budgetary lines and of the indifference curves that will concretise on the market in price rises.

Regardless of the involved mechanisms, taxes and subsidies established by the state are indirect means of influencing the market prices.

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The Influence of Profit in Price Substantiation

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Keywords: costs, price formation, profitability, just price

Abstract: The author is discussing, both historically and technically, the price formation process in market economies. Starting from Tomas d’Aquino and David Ricardo, price formation thinking is, first of all, a moral and ethical process. Nowadays, the economists are supposing the ethical dilemmas are solved and only technical problems of determining the income distribution among the economic actors is to be solved. In this respect, some mathematical formulas are proposed, but the moral problems still remain. Otherwise, all markets would be considered as a true Eden.

The costs appear in price decisions at pre-established level; the profit is a structural element price that’s determinations extremely complex. As a matter of fact, profit evaluation is a very essence of price decision by supplier. The direct link between profit and prices make their formation simultaneously starting from studying how do act the same principal factors.

To have a maximum profit of a long term, price should be established of the same level that is a marginal cost (C).

In price theory, the normal profit is used as a standard, as an a priory determined size, before design and producing the merchandise who’s price is to be established just using it as a standard. It describes the natural, technical, organizational and qualifications conditions where the normal products is being done.

One of the first forms of the normal profit is derived from what Toma d’Aquino called the just price, from costs and a gained (benefit) established in function of a social immanent requirements (i.e. the incomes are redistributed by price in function of certain a ethical class requirements).

A second meaning of the normal profit is that of equitable prices in international economic relations in normal economic conditions unaffected of extra economic factors and price scissors.

The third meaning of the normal profit is a statistical one, i.e. it is used as an average size adjusted to the favorable results of the economic activities determined at different levels: group of forms, branches of national economy, in usual, normal conditions.

The normal profit evaluation helps price decision taking, but this is a difficult task. To this end some standards or guide marks as: interest rate, the average level of investments efficiency capital profitableness, etc.

David Ricardo suggested to use interest rate as a standard of the normal profit when market interest rate could be precisely known in the long term and used a slightly correct criteria to evaluate the profit evolution (Ricardo, 1959, pag 221). As a rule, the interest rate of the deposits at the savings banks on very long term dictates the minimum level of profit. On the long term interest rate level equals the economic growth rate (in the long term), in equilibrium conditions. As a same time there is attendance to established the profit rate in function of the credit duration(t),this having an inverse proportionality with time(1/t). For example if the average crediting time is five years, the normal profitability of the national economy would be (1/5 x100=20).

Since the interest rate is not established by administrative decisions it is useful in establishing the normal profit, even it doesn’t reflect very approximately efficiency of capital utilization.

The average level of investment efficiency could be considered as an evaluation standard for normal profit, in a more representative way then interest rate. It reflects the level of savings as a result of productive using of funds, and not of their saving. At national economy level, the level of investment efficiency appears
as a unitary and normal size that equals the general profitability of productive founds utilization (used for normal profit estimations).

Principally speaking the level of normal profit \( p_{fn} \), as a structural element of production price, is determined in this case as follows: \( p_{fn} = e_n \cdot \frac{i_p}{p_n} \), where \( e_n \) is a normal level of investment efficiency which is determined as a proportion between work net savings generated by an investment during all the functioning time of the capital assets in which that investment was materialized \( i_p \) represents investment per every product unit (specific investment). The concept of investment recovery duration \( t \) from the profits gained as a result of cost reducing (or work saving) is inverse proportionally with a size of the profit. Its inverse \( \frac{1}{t} \) may become a standard of the profitability rate that, viewed at the national economy level as an average, is useful to normal profit evaluation.

As profit equals the cost savings obtained as a result of the investment, is a limit to this way of normal profit evaluation. The normal profit evaluation may also imply a serious of endogen criteria as well, and market mechanism is one of them.

The monetary form of profit is visible on the market just because here takes place the price formation process. That is why sizing of normal profit needs a deep knowledge of the demand, of buyer’s incomes and of the point which represent the equilibrium between the man and supply. These points indicate the level of equilibrium prices. In such a context the normal profit is defined as a profit stated between the prices of the sold goods when the demand equals supply. Any deregulation of the supply-demand equilibrium in a competitive market where the prices are free established generates a deviation of the real profit from the normal one. But as much as one may prospect the market, this remains much unknown, especially for the new goods to be launched on the market. In this context it is hard enough to size the normal profit in function of the supply demand rate.

From all the economic effects the profit is the most important, especially as a primary net income. Launching a good on a market will be done only after estimating the level of resources valorization that would be consumed for producing them (inputs) is established. In this aspect some references elements are needed. One of them could be the level of profits obtained from the price of similar goods which may be used as a particular correlative element. In order to have a sound starting point one general correlative element is recommended to be use. This could be the profit gained as a national economy level, and this is the first approximation of the profit gained from the new good (supply profit) which may be accepted as a normal benefit. This normality comes from the existing level of production development and average level of inputs capitalization. Its level is completely measurable as a difference between the Gross National Product (the some of all goods prices) and a total production costs generated by obtaining Gross Internal Product. During the price formation, the normal profit appears first as a relative size, as a normal profitability rate respectively, which is the proportion between total gross benefits at the national economy level and the total production costs as a same level. It is the result of the factors manifested in internal markets.

The global market offers only the general framework for formation of new goods prices. These could be completed on the goods market and this explains why in the structure of these prices is not included the profit corresponding to the normal profitability rate at macro economic level. The relative autonomy of the market of the goods in the global market generates a certain deviation of the goods profitability compared to normal profitability. In these conditions the profit included in the structure of new goods prices will be the normal profit corresponding to the goods market. This inclusion appears when price decision is taken.

From the above comes that the normal profit rate (reflecting the level of effects/cost ratio) assures a better knowledge of economic life throw a more transparent market. The goods market is the place where we find out two big categories of options:

1. Those concerning necessary resources allocated for producing certain groups of goods;
2. Those concerning the income orientation that defines the demand for such goods.

This market stimulates suppliers (producers) of good in optimizing the supply by growing the level of inputs capitalization, because any cost reducing means a profit grows. As a result together the estimated profit on an average profitability rate at the national economy level, there is a second element to approximate the profit included in new goods prices, namely the total benefits obtain from reducing the average costs on the goods market. These benefits are possible obtain from the average cost reducing on the goods market is possible to be obtained by a direct participation of producers to the growing of capitalization of inputs in that market.

As already mentioned the costs for price foundation are corresponding to the complete use of production capacities at the designed parameters. So, the normal profit could be determined in relation with that level of costs. The level of the profit included in price is minimum compared to the minimal average costs (this generate minimal production prices) is not unfavorable for producers, just because the total profit would not be minimal but maximal, and the total production volume riches the maximum level in that point. The
The secret of maximum total profit is not to maximize prices (this may decrease the demand), but maximizing the volume of selling throw minimum prices.

The theory and practice of founding prices operate with more types of margins for profits. The most known amount them are based on total costs, turnover or multiplicators.

In absolute sizes, as commercial margins or gross margins, for the entire production and per unity production, the margins are calculated as follows:

- \( e = p - c \) e-unitary gross margin, \( M = V - C \) global gross margin, \( p \)-selling price, \( c \)-unitary cost, \( V \)-turnover, \( C \)-total cost.

In relative figures they could be expressed the following types of global and unitary margins:

- the margin rate based on costs (\( n \)) calculated as

\[
m = \frac{M}{C} = \frac{V - C}{C} \quad \quad m = \frac{m}{c} = \frac{p - c}{p}
\]

- the margin rate based on turnover (\( m' \)), which is calculated as follows:

\[
m' = \frac{M}{V} = \frac{V - C}{V} \quad \quad m' = \frac{m}{p} = \frac{p - c}{p}
\]

- multiplicator based on costs calculated as:

\[
k_m = \frac{V}{C} \quad \quad k_m = \frac{p}{c}
\]

It is easy to observe that the global margin could be established as unitary margin multiplied by production volume or as a sum of unitary margins. If we chose the first way, for obtaining the normal (average) profit, the price \( p \) of producer may come from the following relation:

\[
p = c(1 + m),
\]

Where the relative margin of the normal profit (relation between total profit and producing capital) or average profit rate (obtained as result of profit rate equalization law which says that competitions and capital migrated from the sector to another, in the long run, the profit per unit of capital would be the same, no matter the activity where this was invested. In order to obtain a certain profit (a positive one), the farm should sell its products at prices above the average costs. After good is entering the distribution networks the retailers add at the production price some other elements.

The producer price (\( p \)) is used only in direct distribution or for selling the goods to the first retailer. When indirect distributed there are two types of prices: one of the wholesalers and other of detailers.

The wholesaler price would have the following structure:

\[
p_w = p(1 + a_w) \quad \text{or} \quad p_w = c(1 + m)(1 + a_w)
\]

Where AA commission edit asked by the wholesaler (through he or she ensure the recovering of production expenditures, for promotion and distribution and for obtaining his/her own profit).

When the number of wholesalers is bigger the pa prices used by the final wholesaler second or third one etc) would include the adding of the other wholesalers implied in the distribution of the same good.

The retailers’ price (\( p_d \)) is well expressed by the following formulae:

\[
p_d = p_a (1 + a_d)
\]

Where - edit value included by retailer

Putting together the three formula, we get the following analytical relation for calculating the retailing price of a product (based on costs):

\[
p_d = c (1 + m)(1 + a_w)(1 + a_d)
\]
The costs reflect not only the consumed resources for producing goods, but those needed for promoting and distributing them as well (guarantee and post selling service are included). As a conclusion, in the cost prices relation are reflected all the marketing mixed activities. That is why; most approaches consider prices as a direct result of these activities. There are cases where firms (especially those which are positioning the market rules based on prices) are using another technique called the inverted calculation of costs, which is the inverse flaw: design-production-promotion-distribution-cost-price. So, starting from the price of the product to be sold (in most favorable conditions) all the operations are designed and followed that they permit to have a cost that supports the selling of the good at the pre-established price.

Although price formation based on costs is a useful one for entrepreneurs, this is far from being sufficient; it must be completed with other elements generated by the marketing vision of the firm.

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Dynamic Programming: Optimization of Firm Supplying

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Key words: decisional process, dynamic programming, control variable, state parameters

Abstract: This paper is concerned about the utility of dynamic programming for solving of decisional processes. Is presented the optimality principle (Bellman) who allows dividing such a process in subprograms with a similar structure. This division in similar stages permits to use dynamic programming for obtaining progressive or regressive solutions. Finally is presented a practical application of dynamic programming to the case of supply optimization for a commercial firm.

A. Bellman’s Principle Utility in Sequential Process of Decisions for Supply Activities

Commercial firms are preoccupied to maintain a balance between sales and purchases taking into account the evolution of market sides, and the frequent changes in quantities and prices. Dynamic programming can solve some of these problems.

Dynamic programming can be applied to problems, which don’t have necessary a precise formulation, and the solutions obtained are not exactly numerical. This method is very flexible offering answers for problems, which can’t be solved with other methods and use recurrent relations. Is very useful in sequential processes of making decisions but is applicable to other types of problems.

“Optimality principle” (Bellman) is a basic property in dynamic programming:

If $x^*(t), t \in [t_0, t_1]$ is an optimal trajectory between $x_0$ and $x_1$ then for two arbitrary moments $t_2 < t_3$ from the interval $[t_0, t_1]$, with $x_2 = x^*(t_2)$ and $x_3 = x^*(t_3)$, $x^*(t), t \in [t_2, t_3]$, is an optimal trajectory between $x_2$ and $x_3$.

Dynamic programming can be applied for decisional problems with more stages, each stage having in correspondence one or more control variables. Is very convenient that the decisional problem from every stage to have a similar structure. In these conditions, the problem can be divided in n successive problems of dynamic programming. Primary is solved the problem from the first stage of decisional process. Then is solved the problem referring to the first two stages together. The next problem is dealing with the first three stages and in every new step we add one stage to the previous ones. In the last stage, the problem includes all stages and give solutions for the initial problem.

There for in stage k with $k \leq n$, to the problem with k-1 stages previously solved is added the stage k. The anterior solution is used for solving this stage of problem. Values for control variables in stage k modify the state parameters corresponding to the first k-1 stage results.

If $X_k$ is the control variables vector in stage k and $\xi_k$ is state parameters vector corresponding to the problem from the first k stages then $X_k^*$ is the optimal value for $X_k$ and $f_k(X_k^*, \xi_k)$ the optimal value for objective function from this stage.

These means that must be determined a simple recurrent relation for $f_k(X_k^*, \xi_k)$ when are known the decisions after k-1 stages:
\[ f_k(X_k^*, \xi_k) = \text{optim} \{ g_k(X_k, \xi_k) + f_{k-1}(X_{k-1}^*, T(\xi_{k-1}, X_{k-1})) \} \]  

(1)

where \( T(\xi_k, X_k) \) is the state vector for the stage \( k-1 \) and is adopted the decision \( X_k \). After \( n \) stages is obtained \( X_n^* \) and \( f_n(X_n^*, \xi) \) where \( \xi \) is state parameters vector for the initial problem.

The vector \((X_1^*, X_2^*, ..., X_n^*)\) composed from the optimal decision corresponding to all stages gives an optimal strategy to the entire process. Using (1) the optimality principle can be expressed so: for any decision \( X_{k-1} \) from stage \( k-1 \) corresponding to the state \( \xi_k \) result from this strategy then \((X_1^*, X_2^*, ..., X_n^*)\) must be optimal for remaining stages.

Is essential to divide correctly the problem so the stages to be similar for using this manner of solving. In this sequential approach exist two types of solutions: forward and backward. Forward solution respect the temporal order and in backward approach the first stage corresponds to the last decision.

**B. A Linear Dynamic Programming Model Divided in Similar Stages**

A problem of dynamic programming with linear restrictions:

\[ \sum_{j=1}^{n} a_{ij} x_j \leq b_i, \ a_{ij} > 0, \ j=1,2, ..., n, \ i=1,2, ..., m \]

\[ x_j \geq 0 \quad j=1,2, ..., n \]  

(2)

\[ \max z = \sum_{j=1}^{n} g_j(x_j) \]

If \( z^* = \max \sum_{j=1}^{n} g_j(x_j) \) for \( \overline{x}_n \), a fixed value for \( x_n \), the values for the other variables depend on \( \overline{x}_n \).

Then the problem (2) becomes:

\[ \max_{x_1, ..., x_{n-1}} \sum_{j=1}^{n} g_j(x_j) = g_n(\overline{x}_n) + \max_{x_1, ..., x_{n-1}} \sum_{j=1}^{n-1} g_j(x_j) \]  

(3)

where \( x_j \geq 0, \ j=1,2, ..., n \) and is satisfied the condition

\[ \sum_{j=1}^{n-1} a_{ij} x_j \leq b_i - a_m \overline{x}_n \quad i=1,2, ..., m. \]  

(4)

Because \( \overline{x}_n \) is from the interval \( \left[ 0, \min \frac{b_i}{a_m} \right] \) result that

\[ z^* = \max_{\overline{x}_n} [g_n(x_n) + f_{n-1}(b - x_n a_m)], \]  

(5)

If we know \( f_{n-1}(b - x_n a_m) \) the initial problem would consist from the solving a problem similar with (3) for only one variable \( x_n \in \left[ 0, \min \frac{b_i}{a_m} \right] \). The value \( f_{n-1}(b - x_n a_m) \) is the maximal value for \( \sum_{j=1}^{n-1} g_j(x_j) \) in the next conditions

\[ \sum_{j=1}^{n-1} a_{ij} x_j \leq b_j - a_m x_n, \ i=1,2, ..., m \]

\[ x_j \geq 0, \quad j=1,2, ..., n-1 \]

(6)

Using the same technique the problem becomes

\[ f_{n-1}(b - x_n a_m) = \max_{x_n} \left[ g_n(x_n) + f_{n-2}(b - x_n a_m, x_{n-1} a_m) \right] \]  

(7)

with \( x_{n-1} \in \left[ 0, \min \frac{b_i - a_m x_n}{a_m} \right] \) and function

201
\[ f_{n-2}(b-x_{n}a_{n},x_{n-1}a_{n-1}) = \max_{x_{1},\ldots,x_{n-2}} \sum_{j=1}^{n-2} g_j(x_j) \]  

The variables \( x_1,\ldots,x_{n-2} \) satisfies:

\[ \sum_{j=1}^{n-2} a_j x_j \leq b_j - a_n x_n - a_{n-1} x_{n-1}, \quad i = 1,2,\ldots,m \]

\[ x_j \geq 0, \quad j = 1,2,\ldots,n-2. \]  

Therefore, the problem is decomposed in \( n \) successive dynamic program, each corresponding to one stage. In the stage \( k \) the problem that must be solved is

\[ \sum_{j=1}^{k} a_j x_j \leq b_j - a_{k+1} x_{k+1}, \quad i = 1,2,\ldots,m \]

\[ x_j \geq 0, \quad j = 1,2,\ldots,k \]  

with optimal value for objective function \( f_k(b-\varepsilon_k) \), where \( \varepsilon_k = a_n x_n + \cdots + a_{k+1} x_{k+1} \). If in stage \( n \) the optimal value is \( f_1(b-\varepsilon_1) \) then can be calculated \( f_2(b-\varepsilon_2),\ldots,f_{n-1}(b-\varepsilon_{n-1}) \) with next relation

\[ f_k(b-\varepsilon_k) = \max_{x_k} [g_k(x_k) + f_{k-1}(b-\varepsilon_{k-1})] = \max_{x_k} [g_k(x_k) + f_{k-1}(\varepsilon_k - a_k x_k)] \]  

and finally results the optimal solution \( z^* = f_n(b) \).

In the case of supplying problem for a commercial firm that has to cover a variable demand, which is known or well predicted for the next period we obtain a dynamic programming problem because the apparitions of variable price of product, initial stock, maximal admissible stock and final stock.

C.

A commercial firm has an initial stock of 6 units, a maximal admissible stock of 24 units and at the end of this period the stock must be eliminated. The demand for product and the variations of price in the next 4 month are

<table>
<thead>
<tr>
<th>Month</th>
<th>i</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand (units)</td>
<td>( c_i )</td>
<td>21</td>
<td>15</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Unit prices (mil.u.m.)</td>
<td>( p_i )</td>
<td>11</td>
<td>14</td>
<td>13</td>
<td>12</td>
</tr>
</tbody>
</table>

Because the firm can buy any quantity of this product and must satisfy totally the demand in every month the stock in every month must be equal or bigger than the demand in the respective month. The quantity of the product from the month \( i \), \( x_i \), is the difference between the anterior supplies and the demands from the first \( i-1 \) month. The conditions are:

\[ s_0 + \sum_{j=1}^{i} x_j - \sum_{j=1}^{i-1} c_j \geq c_i, \quad i = 1,2,3 \]

\[ s_0 + \sum_{j=1}^{i} x_j - \sum_{j=1}^{i-1} c_j = c_4 \]

where \( s_0 \) is the initial stock. Because the maximal admissible stock is of 24 units there are valid

\[ s_0 + \sum_{j=1}^{i} x_j - \sum_{j=1}^{i-1} c_j \leq 8, \quad i=1,2,3,4 \]

The objective function, the supply costs, are expressed by \( \sum_{i=1}^{4} p_i x_i \), and from \( x_j \geq 0 \), the problem to solve is

\[ \min(11x_1 + 14x_2 + 13x_3 + 12x_4) \]

\[ 15 \leq x_i \leq 18 \]
30 ≤ x_1 + x_2 ≤ 39 \quad (12)
48 ≤ x_1 + x_2 + x_3 ≤ 54
x_1 + x_2 + x_3 + x_4 = 72
x_i ≥ 0, \quad i=1,2,3,4.

The problem is divided in similar stages for obtaining a progressive solution. In the first stage the variable x_1 is considered fixed and for objective function we search

\[
\min_{15 ≤ x_1 ≤ 18} (11x_1 + \min_{x_2, x_3, x_4} (14x_2 + 13x_3 + 12x_4))
\]

For variables x_2, x_3, x_4 the problem is

\[
\min(14x_2 + 13x_3 + 12x_4) = f_1
\]
30 ≤ x_1 ≤ 39 - x_1
48 - x_1 ≤ x_2 + x_3 ≤ 54 - x_1
x_2 + x_3 + x_4 = 72 - x_1
x_i ≥ 0, \quad i=2,3,4.

In the second stage, starting from (13) for the variable x_2 is wanted the value:

\[
\min_{30 - x_1 ≤ x_2 ≤ 39 - x_1} (14x_2 + \min_{x_3, x_4} (13x_3 + 12x_4)) = f_2
\]

The problem from this stage is

\[
\min(13x_3 + 12x_4) = f_2
\]
48 - x_1 - x_2 ≤ x_3 ≤ 54 - x_1 - x_2
x_3 + x_4 = 72 - x_1 - x_2
x_i ≥ 0, \quad i=2,3,4.

In the third stage for x_3 we search

\[
\min_{48 - x_1 - x_2 ≤ x_3 ≤ 54 - x_1 - x_2} (13x_3 + \min_{x_4} 12x_4)
\]

and the problem to solved becomes

\[
\min_{x_4 ≥ 0} 12x_4 = f_3
\]
\[
x_4 = 72 - x_1 - x_2 - x_3
\]
\[
x_3 = 12x_1 - 12x_2 - 12x_3
\]

From x_4 = 72 - (x_1 + x_2 + x_3) result f_3 = 864 - 12x_1 - 12x_2 - 12x_3

and with

\[
48 ≤ x_1 + x_2 + x_3 ≤ 54
\]

we obtained

\[
\min_{x_3 = 48 - x_1 - x_2} (x_3 + 864 - 12x_1 - 12x_2).
\]

Because the last expression is growing in relation with x_3 then the minimal value corresponds to x_3 = 48 - x_1 - x_2, hence:

\[
f_2 = 912 - 13x_1 - 13x_2.
\]

For problem (13) we search

\[
\min_{30 - x_1 ≤ x_2 ≤ 39 - x_1} (x_2 + 912 - 13x_1),
\]

which is a growing function related to x_2 so the minimal value is touched for x_2 = 30 - x_1, therefore f_1 = 942 - 14x_1.

So the initial problem becomes:
\[
\min_{15x_1 \leq 18} (942 - 3x_1).
\]

Since the function is decreasing in relation with \(x_1\) then \(z^* = 888\) for \(x_1^* = 18\).

The optimal strategy is obtain recursive from \(x_1^* = 18\). Hence \(x_2^* = 30 - x_1^* = 12\).

According with (14) result \(x_3^* = 48 - x_1^* - x_2^* = 18\) and using (15) \(x_4^* = 72 - x_1^* - x_2^* - x_3^* = 24\). The solution which minimize the costs is \(X^* = (18, 12, 18, 24)\). The firm will purchase in first month 18 units, in second month 12 units, in third month 18 units and in the last month 24 units for a total cost of 888 u.m.

**Conclusions**

Many mathematical models used in economy are not viable in these cases because of variability of market sides, supply and demand, and the price fluctuations for raw materials, goods and services. Therefore, dynamic programming is very useful for such problems where some dates are lacking or fluctuate.

Since the solutions of dynamic programming are not a numerical result compulsory is another advantage of this technique. Because the model uses variable dates is a flexible method that can be repeated for any changes in dates.

The large majority of problems concerning the supply activities of firms are sequential processes of decisions for which dynamic programming is the most common and useful method of work, yet this is not the only field where can be applied dynamic programming.

**References**


Aspects of the Inventory Control Modeling

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Key words: inventory control, stock, overstock, penalty costs, safe stock

Abstract: This paper is concerned with mathematical models for inventory control. One of the principal goals of firms is to minimize the costs for stocks. For obtaining a high economic efficiency, the inventory must be reduced to an optimal quantity for decreasing the penalty costs for overstock. In the same time there must be avoided the penalty costs for absence of stock using a well-dimensioned safe stock. Finally there are presented some practical applications when the outputs for satisfy the demand are known exactly or by probability.

A. Inventory control - a basic problem for firm activities

Optimization of stocks is a basic condition for an efficient utilization of firm capital and for the continuity of theirs activities. Globally is expressing a trend for decreasing stocks, sometimes being useful a total remove of stocks for obtaining important savings.

Policy for inventory control is based on two general requests:
1) insurance of continuity for production or sales
2) diminishing of capital which concern development, preservation and safe keeping of inventory to a minimum required.

A correct dimensioning of inventory looks to harmonize the two previous requirements for obtaining a maximum efficiency.

There exist a series of mathematical models for inventory control, which begin from a correct determination of sequence of activities for supplying inventories taking into account the necessity of minimal costs for these phases and of potential losses that could be generated by an unsatisfied demand. For these models is essential to knew that an overstock causes a funds immobilization and excessive costs with storage, while a lack of stocks could induces stoppages in production or in sales, which mean economic sanctions such as penalty interests.

There are a large number of factors, which have a direct or indirect effect on size of inventory. For this reason, a useful model has to establish the most suitable moments to launch supply orders and optimum quantity for each supply. Important elements in a problem concerning inventory are: level of demand, size of inventory suitable with demand, costs for supplying, transportation and safe keeping of inventory, problem restrictions and objective function.

Supplying costs have three components:
- Costs for buying the goods that are stocked which include price paid to the provider and transportation costs;
- Costs for storage in which appear costs with handling, storage spaces, losses, sorting and packing goods;
- Costs to launch supplying orders such as: costs for supplying department, for accepting delivery department, for postal taxes, etc.

In a firm, stocks have an adjusting role because a relatively steady production has to accommodate to a variable demand using stocks of finite goods, raw materials and spares. A stock of raw materials guarantees continuity of production when appears discontinuities in supplying. Inputs and outputs, in and from stocks, have a direct influence on decisions regarding production and sales. When inputs and outputs are unknown, the only variable, which can be modified, is inventory size. Most of inventory control models suppose that outputs are known while entries not.
Principal goal of these models is to minimize costs for inputs (supplying) and for storage. For an input of quantity \( z \) there is a cost of supply order \( c \), who depends on the supplied quantity \( c(z) \). Costs for storage depend on storage conditions, storage quantities, requests and timing of storage. When stocks are lower than demand there appears a penury cost corresponding to an unsatisfied demand or to a stoppage in production. Sometimes is useful to take into account a cost for inventory liquidation in a given moment.

**B. An Optimization Model for Inventory Control without admissible penury**

Outputs (demand) can be known exactly or with some probability for diverse period of time. When outputs are known and period between deliveries is stable penury can be avoid by launching supplying orders in suitable moments. If outputs are known only with probability and delivery period is stable absence in stocks can be prevent using a safe stock.

Optimization of costs can be done by determining: an optimal level of inventory, an optimal restock period, size of each restock and numbers of supply orders. In this inventory control model are used:

- \( T \) – fix period between two supplies;
- \( G \) – value of inventory;
- \( q \) – quantity of one supply;
- \( Q \) – total quantity request;
- \( c_l \) – cost for launching a supply order (is paid on the beginning of each period);
- \( c_s \) – unit cost for storage (per unit of time and product);
- \( c_p \) – unit cost of penalty for lack of stock;
- \( P \) – period of inventory control.

If is not admissible penury, for inventory control, with the aim of minimizing costs is very useful the next model:

- Size of a supply order
  \[ q' = \sqrt{\frac{2Qc_l}{P \cdot c_s}} \]  
  (1)

- Number of supply orders
  \[ n' = \sqrt{\frac{P \cdot Qc_s}{2c_l}} = \frac{Q}{q'} \]  
  (2)

- Period between supplies
  \[ T' = \sqrt{\frac{2Pc_l}{Q \cdot c_s}} = \frac{P}{n'} \]  
  (3)

- Optimal value of inventory
  \[ G' = \sqrt{2QPC_s} \]  
  (4)

A commercial firm has a demand for next trimester of 500 units. Cost for launching a supply order is of 4500 monetary units and cost of storage is of 5 monetary units for storage of one product per day.

It must determined: size of a supply order, number of supply orders, period between supplies and optimal value of inventory if supplying is made on fix intervals with equal quantities and is not admissible a lack of stock.

Because \( Q=500 \), \( P=90 \) zile, \( c_l=4500 \) and \( c_s=5 \) using relations (1)-(4) it results:

- \( q' = \sqrt{\frac{2 \cdot 5000 \cdot 45000}{90 \cdot 5}} = 1000 \) units
- \( n' = \frac{Q}{q'} = \frac{5000}{1000} = 5 \) times
- \( T' = \frac{P}{n'} = \frac{90}{5} = 18 \) days

and the optimal value of inventory is

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In consequence will be launch 5 supply orders, each of 1000 units, at a period of 18 days and optimal value of inventory is 450000 monetary units.

C. An Optimization Model for Inventory Control with admissible penury

If is admissible absence of stock (penury) there exists a penalty cost, $c_p$, which appears in formulas by penalty factor

$$ f_p = \frac{c_p}{c_s + c_p}, \quad (5) $$

and so formulas (1)-(4) become:

$$ q' = \sqrt{\frac{2Qc_s}{P \cdot c_s}} \cdot \frac{1}{\sqrt{f_p}}, \quad (6) $$

$$ n' = \frac{Q}{q'} = \sqrt{\frac{2Pc_s}{2Qc_p}} \cdot \sqrt{f_p}, \quad (7) $$

$$ T' = \frac{P}{n'} = \sqrt{\frac{2PC_s}{Q \cdot c_s}} \cdot \frac{1}{\sqrt{f_p}}, \quad (8) $$

$$ G' = \sqrt{2QPC_s} \cdot f_p, \quad (9) $$

In this case, for avoiding penalty costs must be calculated an optimal stock who must be preserved by firm in whole studied period:

$$ S' = q' f_p = \sqrt{\frac{2Qc_s}{P \cdot c_s}} \cdot \sqrt{f_p}, \quad (10) $$

Majority of cases in which appears absence of stock is referring to products who exist in reduce quantities, have very high prices or are very hard to delivery.

A restaurant from mountain area has a demand for 90000 kilos of meat for the season period, which means almost 90 days. Storage cost is 1 u.m. for 1 kilo of meat per day, cost for launching a supply order is 10000 u.m. and there is a penalty of 5 u.m. per day for lack of 1 kilo of meat; supply is made in equal quantities always on the same interval of time. Elements of an optimal policy for inventory control are determinate using relations (5)-(10), knowing that:

$$ Q=90000 \text{ kilos}, \quad P=90 \text{ days}, \quad c_s=1000 \text{ u.m.}, \quad c_p=5 \text{ u.m./day/kilo}, \quad c_l=1 \text{ u.m./day/kilo}.$$  

Penalty factor is

$$ f_p = \frac{c_p}{c_s + c_p} = \frac{5}{1+5} = \frac{5}{6} $$

From (5)-(10) result:

- size of a supply order

$$ q' = \sqrt{\frac{2 \cdot 90000 \cdot 10000}{90 \cdot \frac{1}{1}} \cdot \frac{6}{\sqrt{5}}} = \sqrt{24000000} \approx 4900 \text{ kilos} $$

- number of supply orders

$$ n' = \frac{Q}{q'} = \frac{90000}{4900} \approx 18,36 \text{ times} $$

- period between supplies

$$ T' = \frac{P}{n'} = \frac{90}{18} = 5 \text{ days} $$

- optimal value of inventory

$$ G' = \sqrt{2 \cdot 90 \cdot 90000 \cdot 10000 \cdot \frac{1}{5} \cdot \frac{5}{6}} = 367423,5 \text{ u.m.} $$

- optimal stock

$$ S' = q' f_p = 4083,5 \text{ kilos}. $$
Hence, the restaurant will make 18 supplies of 500 kilos each for covering the whole demand. Orders for supply are launch on every 5 days and for avoid absence of inventory there must have a safe stock of 4090 kilos.

In some cases the main goal of these models is to establish correct size of supply orders for developing an inventory meant to cover a randomly demand on given period of time. Level of demand for whole period is given by a distribution function and there are two penalty costs:

\[ c_1 \] – for absence of stock;
\[ c_2 \] – for overstock.

Penalty rapport is

\[ r = \frac{c_1}{c_1 + c_2} \]. \hspace{1cm} (11)

Usually, this type of models has the level of demand given by a continuous variable

\[ X : \begin{cases} x & \text{if } f(x) \end{cases} \]

where \( x \in [0, \infty) \). Then

\[ F(s) = \int_0^s f(x) dx \] \hspace{1cm} (12)

Optimal stock \( s' \) is the solution of equation \( f(s) = r \) and optimal value of inventory is

\[ G' = c_1 \int_0^{s'} f(x) dx + c_2 \int_{s'}^\infty (x - s') f(x) dx \]. \hspace{1cm} (13)

A butcher shop notices that average quantity of pork meat, sell in a day is between 1000 and 2000 kilos and demand is relatively uniform. Meat which is not sell in the same day can be sell in following days but the shop loses 100 u.m./kg; cost of unsatisfied demand is 200 u.m./kg and storage cost can be neglected. There must be determinate the quantity of meat which must be settled daily such as the costs for overstock and absence of stock to be minimal.

Demand is a uniform variable with density function:

\[ f(x) = \begin{cases} 0, & x \not\in [1000, 2000] \\ \frac{1}{1000}, & x \in [1000, 2000] \end{cases} \]

and the penalty costs are:

\[ c_1 = 200 \text{ u.m. for absence of stock}, \]
\[ c_2 = 100 \text{ u.m. for overstock}. \]

Penalty rapport is:

\[ r = \frac{c_1}{c_1 + c_2} = \frac{200}{300} = \frac{2}{3}. \]

From (11) results:

\[ F(s) = \int_{1000}^s f(x) dx = \frac{x}{1000} \bigg|_{1000}^s = \frac{s - 1000}{1000}. \]

For determinate the optimal quantity to settle daily we solve the equation

\[ \frac{s - 1000}{1000} = \frac{2}{3}, \]

hence

\[ s' = \frac{5000}{3} \approx 1667 \text{ kg}. \]

Using (13) the optimal value of inventory is:
Then for minimize costs the shop must have daily, in average, a stock of 1667 kilos of pork meat to satisfy the whole demand. In this case, all penalty costs are minimal and optimal value of inventory is 50000 monetary units.

Conclusions

There exist many mathematical models for inventory control which solve problem of economic efficiency for inventory control by reducing costs when the outputs are known exactly or by probability. Information about the level of demand is one of general requirements in using this type of models. If we don’t know the exact demand the level of demand is given by a continuous variable.

These models can be adjusted for firms using information about the costs implied in inventory control in each case and if is admissible or not a lack of stock (penury).

The penury can be expressed, considering penalty costs, by penalty factors in inventory control models which use integral calculus for both periods of time, with and without stock.

References

The Environment and the Conflicts of the Sustainable Development

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Key words: sustainable development, environmental protection, ecological efficiency, ecological responsibility

Abstract: The general environment protection and its economic, ecological, social and cultural function represent a preliminary condition for the approach of the main ecological challenges at the international level.

The role of the environment in satisfying primary, vital needs is generally well-known, but the concrete possibilities to interfere for modeling social processes in such way that they contribute to the harmonization of this relation are less obvious or hardly accepted.

The paper aims to systemize the harmonizing dimensions of the human-environment relation and the causes of a dysfunction of such a relation. There are analyzed the intervention directions at the European level in order to decrease conflicts and their effects.

"The most dangerous things are the victories. And the victories against Nature, cautiously prepared, included in the economic theories do not make an exception."
Paul Bran

Our study about conflicts between man, economy, education and environment, about the right of the environment and the right to the existence of a healthy environment, about the protection of the natural environment, about environment politics and strategies is a possible approach for our future, a sign of rationality and hope from the perspective of the health of all our common alive in which a plead for the human life is as important as the plead for the life of the air and water, plants and animals, relief etc.

Among numerous arguments which we have taken into account, three of them can be considered more important:

- The scientific pros demonstrate that the environment matters represent a serious threat at a global level, the costs generated and the associated risks to the climate changes could rise up to 20% of the GDP, while the services assured by the planetary ecosystem have deteriorated or have been over-used, and the ecological pattern of the humanity over-passes currently with about 25% the regenerating capacity of the planet (Angelescu & Popa, 2009);
- The reason for which the UNO has declared the year 2010 The International Year of the Biodiversity is the decline of the ecosystems. An alert-report presented by the UNO illustrates the devastating state of the present-day environment;
- The world population ignores the notion of sustainable development and the sense of the theme of the 21 Agenda (Rouzel, 2000).

Under the conditions in which the three sustainers of the sustainable development - environment, economy and society, are sometimes in a conflict, defined by pressures upon the environment, pressures
which become more and more concerning, we may ask ourselves "What the environment is?", "Why do these pressures exist?", "What can we do for a sustainable development?"

1. What is environment?

We have chosen many answers to this question by analyzing the definitions given by personalities (P), dictionaries (D) or legislation (L).

- **P1.** “Terra is a spaceship which carry mankind into history”. (Alexandru Rosu)
- **P2.** The environment is "a lively machine, enormous and very complex, which constitutes a dynamic layer, thin upon the surface of the Earth". (Barry Commoner - "The circle that closes itself")
- **P3.** The environment is made of "physical one (climate, ground water, air natural resources etc) + ecological processes - lively environment". (Mihajlo Mesarovici & Eduard Pestel, "Mankind at crossroads")
- **P4.** The environment is an assembly existing at a certain moment, of physical chemical and biological agents and of social factors, susceptible to have a direct or indirect effect, an immediate or in time, upon the organisms and human activity” (definition given in 1972 at the International Colloquy "Development and Environment", France).
- **P5.** The environment represents "the total energetic, physical, chemical and biological conditions that are around a human being and with which these are in permanent exchange relation.” (Ștefan Vancea)
- **D1.** The environment represent “The totality of physical conditions of Terra or of a part of it, affected by the human activity.” (Oxford Dictionary)
- **D2.** The environment is "the space and the conditions affected the people's existence." (English Dictionary)
- **D3.** The environment represents “the assembly of natural and artificial elements situated around a human individual, an animal or vegetal species.” (Le Petite Larousse)
- **D4.** The environment- “The totality of conditions (relief, climate, other alive species etc) where organisms make their living. A complex territorial where combine the elements of relief, geological structure and the sub-soil resources, waters and climate conditions, soil, vegetation and fauna and which constitute the natural framework for the developing of the material life of the mankind society, represents the material bases of the production process and of the social division of work, favoring or making a break for the society development, without having a determinant role in this development.” (The Romanian Encyclopedic Dictionary, edition 2001)
- **L1.** The environment represents "the assembly of conditions and natural elements of the Terra: the air, water, soil, sub-soil aspects characteristic to the scenery, all atmosphere layers, all the organic and non-organic material, and also the alive species, the inter-active natural systems, including some material and spiritual values, the quality of life and the conditions that can influence the human being health and welfare." (OU no.195/2005 regarding the environment protection)
- **L2.** The environment is the "space in which it function an organization and which includes air, water, soil, sub-soil, natural resources, flora and fauna, human beings and their relations." (ISO 14050:2002 - Environment management. Vocabulary)

By analyzing these definitions it results the following:

1. All definitions refer to the relation human-environment as an exchange relation mutually in advantage.
2. The environment is reach, offering numerous resources, unfortunately, some are exhaustible.
3. Definition D1 is the only making a direct reference to the action of man upon the environment, to the equilibrium that man must keep.
4. Definition L1 introduces a relation more complex environment-man-health.
5. Definition L2 makes reference to the organization environment policy.
6. All these definitions give a double acceptance of the term environment:
   *Life framework of the individual (created by him/herself) - social environment;
   *The assembly of conditions suspected to act upon the alive organisms and of human activity - natural environment.
7. Implicitly, the majority of the definitions presented here refer to the complex equilibrium of the relation between man and nature, between environment and education, between industry, agriculture and environment, between environment and research/technology.

There exists, thus an interdependence man-natural environment, an insoluble unit having a complex and dynamic character with deep implications upon the economic-social development that mankind started to understand.
The approaching dimensions

Although the problematic of environment currently represents a theme intensely approached, from the local level up to the international one, the definitions and the senses of the environment concept are very varied, fact that obviously, has consequences and implications referring to the clarification of the dimension of the environment. Hereinafter we will prefer the definition given to environment by the international standard ISO 14040:2002. We must also take into consideration when we speak about the environment protection, the eight dimensions under which the environment and its protection are approached as follows:

- **the social dimension** (culture, education leading to responsibility) present by the engagement of some large spheres of the population in activity of protection of environment, by creating a public opinion and by initiations of an administrative nature (e.g. The World Environment Day, The World Water Day, The Forest Month etc);

- **the governmental dimension** (institutional) present through the organisms and international, national, zonal, local authorities aiming inspection activities, supervising activities, analyses activities, monitoring, coordination, research, regulation and even administration of the environment protection.

- **the economic-technical dimension** present through the orientation of the organizations within the framework of the economic branches in order to introduce accurate technologies, programs for creating efficiency and reducing the consume of raw material and natural resources and not in the last instance, in order to create funds and financial resources designated to the environment protection (e.g. the importance of eco-innovation is recognized within the Lisbon EU Strategy, within the sixth Action Program for the Environment PAM 6 for 2002-2012 of the EU and within the Action Plan for non-polluting technologies ETAP - 2004)

- **the educational-information dimension** - the description of the environment and of its protection within the school and higher education curricula, by organizing sessions, seminars, conferences, exhibitions, parks, programs, TV. shows, reports, enquiries etc;

- **the juridical dimension** present by the creation of the legal and juridical framework necessary to define the environment law, of its protection and pollution under the form of laws, decisions, ordinances, orders, norms, standards or other necessary regulations);

- **the international dimension of the relations and collaborations** present by understandings, treaties, conventions, protocols signed between states(bilateral or multilateral), communities, conventions or international organizations, through conferences and symposia taking place on this theme, and also through mixed commissions aiming research, development and monitoring divers aspects linked to the environment;

- **the political dimension**, present through parties and organizations militating for the environment protection and for the creation of some trends favorable for the amelioration of the environment quality.

The environment problematic are today global ones and belong to the responsibility of some international institutions having as main objective the elaboration of some programs for the rational exploitation and the preservation of the natural capital.

This multidimensional approach makes the environment problems, of pollution and respectively of its protection be complex enough.

What is gratifying is the fact that the most important organisms of the world take to serious the environment problems.

The sustainable development

In 1989, Time named Terra as "the character of the year" thanks to the visibility of the environment problems. What is Terra without man? And especially what is man without Terra? There exists interdependence between man and nature of which we often have the tendency to abuse. We forget that the environment is equally common sink and common pool. In other words, for the whole mankind nature is both the place in which we overflow the waste of our style of life, and also the place from which we extract our vital resources. Nature must not be submitted ... It must be understood.

The sustainable development is, according to the Bruntland report, the development that satisfies the needs of the present without compromising the future of the generations to come and their proper needs. The third principle of the Rio Declarations (1992) specifies " The right to development should be exercised in such a way in order to be satisfied in a fair way the needs for development and environment of the present and future generations". From this definition it results three elements that make together the sustainable development: Environment, Equity, Future.

The global alarms of this start of millennium oblige to the promotion of new alliances (first of all Economy - Ecology) as components of the sustainable development.

Economy means "taking into possession the things utile for the world through good administration and citizen collaboration" (George-Roengen, 1994), and ecology means wise and harmonious cohabitation
with nature, partnership between people and natural environment, economic growth under conditions of fair ecologic administration, an administration that should become priority and responsibility.

Generally, the theme of sustainability refers to the natural sources renewable, i.e. those having the capacity to reproduce or regenerate themselves: oceanic fauna, forest, soil and subsoil reserves etc. The administration of a resource defines as sustainable if, being known its capacity of renewal, does not exaggerate in its exploitation over a certain threshold.

This type of sustainable development emphasizes the requirement of the simulation approach of the imperatives of the economic development and of those of environment protection.

The important climatic changes, the acid rains, the management of toxic waste, the destroy of the ozone layer, the extinction of some species are major problems which preoccupy the world at the beginning of the third millennium and oblige to actions and convergent strategies in solving them.

The integrate character of the sustainable development relies in the reality according to which any economic system is included in a social system, which at its turn is included within a biologic-physic system (eco-system, planet) (Gidding et al., 2002).

The sustainable development comprises three fundamental elements, respectively three simultaneous objectives (Figure 1):

- Life quality .........................social objective;
- Economic development .............economic objective;
- The environment protection ..........environment objective;

![Figure 1. The fundamental support of the sustainable development](source: Gidding et al)

The applying of the concept of sustainable development supposes a proper management based upon the Integrated Management System (SIM) which include:

- The economic component - economic sustainability;
- The ecologic component - environment sustainability
- The social component (education, health) - social sustainability;
- The legal sustainability;
- The education, information component;
- The scientific research component.

It results that the new Sustainable Management has a very complex problematic: relational, financial - accounting, contractual, regulating, economic, social, educational, ethical, political, internal, external ... and constantly in evolution.

The sustainable development conflicts

According to the specialists, the three supporters of the sustainable development are the environment, the economy and the society. The introduction and the acceptation of the sustainable development concept is a consequence of the appearance of "conflicts" between these supporters.

An analysis of the existing conflicts can be made through a diagram of the Euler type (Figure 2) where there are put into light at least three situations of the relation man-environment according to : the people's requirements (needs, necessities - circle A), the environment requirements (conservation, regeneration - circle B), the environment strategy (policies, regulations - circle C). The ideal would be that the
three circles overlap. In reality, the sources for the appearance of the de-functionalities are numerous and manifest themselves through pressures upon the environment or even conflicts.

These de-functionalities can be discovered in the figure, where can be delimited 7 spaces (among which 6 are corresponding to the main conflicts):

- **Space 1.** - the zone of *indifference* from the part of the *citizens*, a part of the environment requirements has not been taken into consideration (*over-exploitation, waste, pollution*);
- **Space 2.** - the environment requirements are partially respected, but without a long-term strategy;
- **Space 3.** - *pretended performance* (the projection of the environment actions has been done without taking into account the clients’ requirements and without the existence of a strategy);
- **Space 4.** - *inefficient action*, environment indicators projected, achieved but not asked for the part of the client;
- **Space 5.** - unrealistic strategy, non-adequate to the existing conflicts;
- **Space 6.** - not having an environment performance, *expected performance* from the part of the citizens, practically achieved, but not mentioned in specifications. It is not sure that this performance will be maintained long time.
- **Space DD.** - *sustainable development* achieved and maintained under control, the citizens are satisfied, the environment is protected.

Reducing the discrepancies would determine the enlargement of the common crossing zone of the three circles (space DD) and implicitly the development of the process of improving the environment quality by centering the concept activities and achieving according to the requirements all the crossing parts.

**Conclusions**

In conclusion, the sustainable development models can not be based upon an irrational use of the resources and upon the deterioration of the environment, there being necessary, first of all a reconciliation of the two parts, in order to improve the welfare of the present and future generations. The objectives of the sustainable development should include:

1. Collective participation (eco-responsibility);
2. The preservation of the resources;
3. A balanced development;
4. The environment quality;
5. Reducing the waste of resources (eco-efficiency).

These objectives suppose a complex, economical, ecological, socio-cultural approach from the part of all interested parties and in a very short period of time.

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The Relevance of Indices Concerning the Enterprise’s Performance in Financial Analysis and Diagnosis

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Abstract: Although the enterprise performance concept regards various aspects, in financial analysis it is regularly associated with profitableness, with the enterprise’s capacity to obtain profit. Profitability indices like result or ratio are analyzed ex-post on the basis of financial statements. The evolution over time of these indices may offer important information and has to be placed at the basis of future managerial decisions.

Introduction

In the business domain, the performance concept regularly signifies a success, a good result obtained in the firm’s specific domain. The quantification of this success may be realised through a series of quantitative and qualitative indices, such as: the sales revenue, market quota, added value, staff qualification, efficient administration of available economic means and environment protection, etc.

The performant enterprise is the enterprise that creates value for shareholders, that satisfies clients, that takes into consideration the employees’ opinion and that respects the natural environment1. The performance is multiple, it differs according to the person that evaluates it, because each one regards performance from his own point of view. Therefore, the performant enterprise is the one that conciliates the expectations of all its partners.

But, the performance of an enterprise is mostly associated to its profitability, respective to its capacity of obtaining profit. From this reason, the profitability indices are unanimously accepted for enterprise’s performances evaluation. These indices may be expressed either through absolute values, under the form of results, or in relative values, under the form of ratios.

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The information concerning the enterprise performance, especially about its profitability, is necessary for:
- evaluation of the potential changes of the economic resources that the enterprise will control in the future;
- the anticipation of enterprise’s capacity of generating cash flows on the basis of resources that has on its disposal;
- the formulation of the reasoning concerning the efficiency with which the enterprise may use new resources.

1. Results indices

The result quantification, as a measure in performance classic approach, may be realized under three aspects:

a) patrimonial – using the same evaluation method, the enterprise value is compared in two successive moments. The patrimonial approach is based on juridical approach of the balance sheet:

\[
\text{Assets} - \text{Liabilities} = \text{Owners' equity}
\]

The result of the N exercise is determined as difference between owners’ equity (E) registered at the end of the N and N-1 exercises, more precisely the result expresses the growth or the reducing of the owners’ equity value between the beginning and the end of the N exercise:

\[
\text{Result of N exercise} = E_N - E_{N-1} = \Delta E
\]

Taking into consideration the fact that the value of owners’ equity may be changed during the exercise through contribution from the owners (equity growth through: new contributions in cash and/or in kind, debts conversion) or in its favour (dividends distribution, capital reductions), changes that have no connection with the exercise result, the equation becomes:

\[
\text{Result of N exercise} = \Delta E - \text{Owners contributions} + \text{Distributions in favour of owners}
\]

This approach may lead to different values of the result in inflationary periods because the adjustments brought to different patrimonial elements, as a consequence of prices variations, may be realised through different methods. Under these circumstances, supplementary information concerning the used evaluation methods, offered through explanatory notes, may reduce under certain measure the uncertainty degree among the users.

b) economical – the result is determined as a difference between revenues and expenses:

\[
\text{Result of N exercise} = \text{N Exercise revenues} - \text{N Exercise expenses}
\]

The economic approach may also be a controversy one as a consequence to the means of recognizing the revenues and expenses but also due to the means of matching expenses to revenues.

c) financial – the result is the expression of the enterprise treasury variation during a reporting period calculated through comparison of cash inflows and outflows.

The result, expressed through treasury variation, is determined as difference between the of self-financing capacity, as a monetary surplus evolved during the exercise and the calculated expenses that do not give birth to monetary flows, but correspond to real depreciation or probable risks:

\[
\text{Exercise result} = \text{Self-financing capacity} - \text{Calculated expenses}
\]

If the balance sheet presents only the absolute value of the period’s result, as element of owners’ equity, the income statement explains the forming mechanism of this result. Thus, the situation concerning the obtained results is a necessary extension of the balance sheet, with the purpose of explaining an important component of shareholders’ equity and offering detailed information necessary for measuring of the financial performance\(^1\).

The result concept is however accompanied by a subjectivity note in regard to the interest of each category of users, to the accounting principles and methods employed by the enterprise.

For instance, in what the users perspective regarding the result established through traditional methods is concerned, the investors are interested, as previous shown, in net income and its distribution under the form of dividends, while the creditors are interested more in the gross result before the interests payment.

In what the accounting principles and methods adopted by the enterprise are concerned (stocks evaluation, amortization methods, etc.), the result may meet different sizes, and the enterprise, its management, will follow the satisfaction of own interests (the profit maximization with the purpose of a better “image” of the enterprise or, on the contrary, the profit reduction with the purpose of diminishing the income tax, etc.).

The result’s flexible nature limits the informational value of income statement. In order to avoid the formulation of false conclusions on the basis of this synthesis document, the uses have to analyze

\(^1\) Helfert, E., 2006, Tehnici de analiză financiară, București, BMT Publishing House, p. 21
accountancy methods and principles adopted at the level of the enterprise and their impact upon the reported result.

2. Profitability ratios

The most of times, the accounting result’s size is not eloquent in the absence of a comparison base. Therefore, a profit of 1,000 u.m. may be considered good if in the previous year the company registered loss, but not good if in the previous year the profit was of 100,000 u.m. (time comparison). On the other hand, the result may be considered good if the similar companies earned lower profits, or on the contrary, not good if they earned much larger profit (space comparison). Therefore, in analysis the profitability ratios are preferred. These reflect efficiency reports between the results size effects and the efforts made for reaching these results. According to the nature of the elements chosen to express the efforts or means put in action, the ratios may be: commercial profitability ratios, economic profitability ratios, financial profitability ratios. The indices built according to the invested capital expresses mainly the investors’ interests, while the indices built on the basis of consumed resources expresses mainly the managers interests. The data sources for profitability ratios calculation are the income statement and the balance sheet.

The ratios use in the financial analysis increases the signification of information from the financial statements and allow the comparisons in time and space. The ratios analysis helps the decision makers to identify tendencies and correlations between data and to make decisions for correction of the possible negative aspects.

For illustration, we select data from the last five years financial statements of Dedeman company, a regional leader on the retail market of construction materials.

a) Commercial profitability ratios

Commercial profitability measures the efficiency of the basis activity developed by the enterprise during a financial exercise, expressed through net sales revenue. According to the result taken for calculation there can be analyzed:

*The gross commercial profitability ratio* (the gross margin ratio) reflects gross profit corresponding to the net sales revenue (net turnover). The index is dependent on the financial policy, the investments policy as well as the influence of fiscality and extraordinary elements.

\[
R_{GM} = \frac{\text{Gross Profit}}{\text{Net Sales Revenue}} \times 100
\]

The *commercial profitability ratio* (the net operating margin ratio) highlights the efficiency of the operating activity.

\[
R_{NOM} = \frac{\text{Operating Income}}{\text{Net Sales Revenue}} \times 100
\]

The ratio increase reflects a positive situation and appears when the operating profit’s growth rate exceeds the net sales revenue’s one.

*The net commercial profitability ratio* (the net margin ratio) (also named profit margin) reflects the net profit (income) of the financial exercise corresponding to net sales revenue.

\[
R_{NM} = \frac{\text{Net Income}}{\text{Net Sales Revenue}} \times 100
\]

The evolution of the commercial profitability ratio for the analysed enterprise is presented as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>14,452.524</td>
<td>19,785.914</td>
<td>26,923.357</td>
<td>46,465.331</td>
<td>73,516.746</td>
</tr>
<tr>
<td>Net Sales Revenue</td>
<td>80,132.174</td>
<td>121,011.983</td>
<td>174,780.296</td>
<td>254,086.645</td>
<td>395,491.183</td>
</tr>
<tr>
<td>Gross Margin Ratio (%)</td>
<td>18</td>
<td>16</td>
<td>15</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Index of ratio’s growth (%)</td>
<td>100</td>
<td>89</td>
<td>83</td>
<td>100</td>
<td>106</td>
</tr>
</tbody>
</table>


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Table no.2. The evolution of net operating margin ratio

<table>
<thead>
<tr>
<th>Items</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>10,757.353</td>
<td>13,476.302</td>
<td>13,929.802</td>
<td>27,637.544</td>
<td>52,221.729</td>
</tr>
<tr>
<td>Net Sales Revenue</td>
<td>80,132.174</td>
<td>121,011.983</td>
<td>174,780.296</td>
<td>254,086.645</td>
<td>395,491.183</td>
</tr>
<tr>
<td>Net Operating</td>
<td>13%</td>
<td>11%</td>
<td>8%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Margin Ratio (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Index of ratio’s</td>
<td>100%</td>
<td>85%</td>
<td>62%</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>growth (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table no.3. The evolution of net margin ratio

<table>
<thead>
<tr>
<th>Items</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>8,080.538</td>
<td>8,864.593</td>
<td>11,354.773</td>
<td>25,977.735</td>
<td>52,294.380</td>
</tr>
<tr>
<td>Net Sales Revenue</td>
<td>80,132.174</td>
<td>121,011.983</td>
<td>174,780.296</td>
<td>254,086.645</td>
<td>395,491.183</td>
</tr>
<tr>
<td>Net Margin Ratio (%)</td>
<td>10%</td>
<td>7%</td>
<td>6%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Index of ratio’s</td>
<td>100%</td>
<td>70%</td>
<td>60%</td>
<td>100%</td>
<td>130%</td>
</tr>
<tr>
<td>growth (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assessments concerning the commercial profitability: All the three calculated ratios had a downtrend during the former half of the analyzed period, followed by a uptrend in the latter half. This aspect indicates the efficiency of the managerial measures taken for business recovery.

b) Economic profitability ratios

Economic profitability measures the gross remuneration of the invested capitals, both of the own and borrowed ones.

Economic profitability ratio is calculated as report between the economic result and economic means used for its obtaining. By the economic result’s using it is desired that the ratio would be independent from the enterprise financial structure, from fiscal policy as well as from the eventual extraordinary elements registered during the financial exercise.

Specialized literature offers several methods of calculation for the economic profitability ratio. The simplest of all consists in reporting the net profit at the total volume of assets from the balance sheet:

$$ R_e = \frac{Net\ Income}{Total\ assets} \times 100 $$

The net assets may also be used in relation, determined as total assets minus the current liabilities. These net assets may also be found under the name of invested capital and represent that part of the assets financed by owner’s equity and long term liabilities. No matter that we deal with the total assets or
the net ones it is preferred to use an average value instead of final balance accounts of these elements. The use of the average values allows the emphasizing of the changes in the assets’ volume intervened during the financial exercise.

This pattern of calculation has the disadvantage of offering a result affected by the enterprise’s financial and extraordinary activity as well as by the fiscal policy. A more relevant result may be obtained if in the above mentioned relation the operating income would be used instead of the net income:

$$R_E = \frac{\text{Operating Income}}{\text{Total assets}} \times 100$$

This ratio, named in Anglo-Saxon literature “return on total assets” (ROTA), represents a measure of the operating activity’s efficiency and proves how well the managers have used the total assets that the enterprise disposed of for generating an operational surplus.

The economic profitability has to fulfil several conditions:
- to be at least at the level of the minimum profitability ratio in economy (average interest rate), otherwise the capital investments on financial market is preferred;
- to be higher than the average cost of the borrowed capital, in such manner that the enterprise will benefit from the financial leverage effect;
- to be higher than the inflation rate, for owners’ equity maintenance and increase.

The economic profitability calculation formula may be decomposed as follows:

$$R_E = \frac{\text{Operating Income}}{\text{Net Sales Revenue}} \times \frac{\text{Net Sales Revenue}}{\text{Total Assets}}$$

Economic profitability represents therefore the product between the gross margin and asset turnover. A normal economic profitability may result either from small margins and an emphasized assets turnover, or from high margins and low assets turnover. The first situation is specific for distribution enterprises and the second for long production cycle enterprises.

The evolution of the economic profitability of Dedeman company is presented as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>10,757,353</td>
<td>13,476,302</td>
<td>13,929,802</td>
<td>27,637,544</td>
<td>52,221,729</td>
</tr>
<tr>
<td>Total Assets</td>
<td>26,500,633</td>
<td>41,734,976</td>
<td>78,545,874</td>
<td>126,120,415</td>
<td>221,334,463</td>
</tr>
<tr>
<td>Economic Profitability Ratio</td>
<td>41</td>
<td>32</td>
<td>18</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Average Interest rate</td>
<td>20.4</td>
<td>17.9</td>
<td>7.5</td>
<td>8.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Average inflation rate</td>
<td>15.3</td>
<td>11.9</td>
<td>9.0</td>
<td>6.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Real Economic Profitability Ratio</td>
<td>22</td>
<td>18</td>
<td>8</td>
<td>15</td>
<td>18</td>
</tr>
</tbody>
</table>

Assessments concerning the economic profitability: Although it did not have a homogeneous evolution during the analysed period, registering downturn during 2003-2005 and afterwards a uptrend during 2005-2007, the economic profitability ratio was superior both to average interest and inflation rate. As a consequence, the obtained economic profitability makes the investments in enterprise’s operations more advantageous than on the monetary market and allows altogether the increase of owners’ equity and enterprise’s economic substance.

**c) Financial profitability ratio**

Financial profitability measures the net remuneration of owners’ equity, respective the efficiency of the financial placement that the shareholders made by purchasing the enterprise’s stock holdings.

The key interest point for the enterprise owners is investment’s profitability. The investors also are interested in the distribution method of the profit that is theirs, meaning which part of the profit is reinvested as against the share distributed to them as dividends.

The relation existent between the obtained profits and the shareholders’ investments is followed by financial analysts by means of some indices, such as: owners’ equity profitability and share capital profitability, as measures of shareholders total investment profitability and earnings per share, as measure of each investment unit’s participation in enterprise profits.

The most used financial profitability ratio places in connection the net income with the value of owners’ equity („return on equity” – ROE):

$$R_F = \frac{\text{Net Income}}{\text{Owners’ Equity}} \times 100$$
In ratio interpreting there should be taken under consideration the fact that the net result may be affected by the eventual extraordinary elements that have an accidental character.

The net profit belongs entirely to the holders of ordinary and preference shares. The holders of ordinary shares may have claims on the residual profit after the priority dividends payment. The financial profitability ratio should be superior to the average interest rate in order to make the enterprise’s share holdings more attractive and in order to grow their share market price.

The net financial profitability ratio (share capital profitability) expresses the net remuneration of share capital by dividends:

\[ R_{NF} = \frac{\text{Dividends}}{\text{Nominal Share Capital}} \times 100 \]

This ratio constitutes a relevant indicator in appreciating the enterprise’s position on the market. An increasing remuneration of the invested capitals indicates an enterprise’s capacity for development and increases the investors’ trust concerning the present or future placement rentability.

In the case of the joint stock companies, the profit’s analysis from the investors’ perspective is based on the profit per share index. The calculation of this index supposes the division of the net profit to the number of issued ordinary shares:

\[ \text{Profit per share} = \frac{\text{Net Income}}{\text{Average Number of Ordinary Shares}} \]

Decomposing the financial profitability relation we obtain:

\[ R_F = \frac{\text{Net Income}}{\text{Net Sales Revenue}} \times \frac{\text{Net Sales Revenue}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Owners' Equity}} \]

Therefore, the financial profitability is direct proportional to the commercial profitability, to the commercial profitability of the engaged capital and to the enterprise’s financial structure (the third report of the right side of the above presented relation represents the global gearing rate).

The financial profitability is significantly influenced by the financial leverage effect. The financial leverage rate is the difference between the financial profitability ratio and the economic profitability ratio. The leverage is positive when the rate of return on a company’s assets exceeds the average interest rate on its borrowed funds. For the majority of enterprises the financial leverage is positive. But the financial profitability appreciation through the increasing of gearing involves altogether a increase of the risks assumed by the enterprises’ owners [Brezeanu, pg.462].

The evolution of the financial profitability ratio of Dedeman company is presented as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Net Income</td>
<td>8,080.538</td>
</tr>
<tr>
<td>Owners’ Equity</td>
<td>15.681.40</td>
</tr>
<tr>
<td>Number of issued shares</td>
<td>17.092</td>
</tr>
<tr>
<td>Financial profitability ratio</td>
<td>52</td>
</tr>
<tr>
<td>Profit per share</td>
<td>472.77</td>
</tr>
<tr>
<td>Interest rate</td>
<td>20.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Dividends</td>
<td>0</td>
</tr>
<tr>
<td>Share capital</td>
<td>170,920</td>
</tr>
<tr>
<td>Net Financial Profitability ratio</td>
<td>0</td>
</tr>
<tr>
<td>Interest rate</td>
<td>20.4</td>
</tr>
</tbody>
</table>
Assesments concerning the financial profitability: The registered values of the financial profitability ratio, even though they did not have a constant evolution, indicate a remuneration of the owners’ equity superior to average interest rate on monetary market. The registered values were significant, between 34% and 52%, over the economic profitability ratio, as a consequence of the positive effect of the financial leverage. The net profit corresponding to a share decreased after 2003, as a consequence of the share capital increase by reserves incorporation (new shares were issued).

Excepting the year 2003, when the company did not distribute dividends, the net financial profitability ratio registered significant values (over 14%). This aspect indicates a dividends’ distribution policy in favour of the company’s owners. Having in view that Dedeman is a close company, the problem of funds attraction from the capital market is not set, and, as consequence, the dividend policy does regard neither the stock exchange course nor the other stock exchange rates.

Taking into consideration the evolution of the profitability indices, the maintaining of the strategy applied for the last years of the analyzed period is recommended, aspect that would allow the obtaining of some performances in increase from year to year. Moreover, the present situation of the company allows a continuation of the development policy on the national profile market.

The evaluation of the performances on the basis of financial statements represents an activity oriented towards past, the achievement of future extrapolations being often difficult. Nevertheless, every decision is based on the results of this kind of analysis.

A series of critics are brought to the classic indices of performance measuring, either that we talk about results or profitability ratios. The most important among these take under consideration the indices limited character, the fact that do not surprise the enterprise’s global performance. It deals with the aspects that are not quantified and presented in the financial statements, such as accumulated experience, staff qualification and other competitive advantages that offer a plus of value to the enterprise in its whole.

A series of indicators were imposed along the last years as forms of expression for the new value added by enterprise for its share holders, under their quality of main users of financial information. This comes as a consequence of the development of the value based management concept, as an integrated part of the managerial culture. These types of indicators are: shareholder value, economic profit, economic value added, market value added, total shareholder return. The large number of indices designated for appreciation of the value created by the enterprise, among which we previously mentioned several, shows the theoreticians’ and practitioners’ concern in finding out more relevant means for expression the enterprise performance, as close on reality.

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Stralser, S., 2004, *MBA in a day: what you would learn at top – tier business schools (if you only had the time!)*, Hoboken, New Jersey, John Wiley & Sons, Inc.
The Cognitive Function of the Accounting Information in Bank Management Risks

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**Key words**: The informational regulated sub-system, significant risk management informationsystem, historic information, manager’s intuition.

**Abstract**: The efficient management of banking risks supposes the existence of physical resources (human, material, financial) and of the information as a productive and strategic resource. The lack of an information strategy and of the means to achieve it is able to annul the dynamic side of the managerial system and in this direction the evolution is stopped or appears the involution phenomenon.

Within this context, conceiving, projecting and organizing a dynamic information system permanently adapted to the rapid knowledge of the changes within the system and in the economic environment constitute the essential condition for accepting the change as an expression of a normal evolution of any system.

Within the activity of the credit institutions, due to the multitude of problems and complex situations, sometimes contradictory ones, the manager has to develop his/her own vision about the future of the company, delimiting the clear ambitions objectives that must be attained by efficiently delegating the human, material, informational and financial resources within the framework of the organization. Thus the manager is mainly responsible for studying the decisional alternatives in order to optimize the allocation of resources and at the same time to minimize risks in the day-to-day activity.

According to the legal regulations the credit institutions must organize their entire activity in order to suit the rules of a good and healthy banking practice based upon prudence. In this direction the managers must be sure that the organization structure of a credit institution offer a proper flow of information in order to enable a permanent and on time knowledge at all the decisional levels about the problems concerning: the risks linked to a specific activity, the functioning conditions of the credit institution, to business strategies, the implementation policies and proceedings for attaining the strategic objectives. At the same time, a performing management must also aim the existence of a proper informational flow for the development of operational activity between the secondary departments and headquarters.

Beside the standard used information offered by accounts department, the manager of the credit institution can use “commanded” information about the way in which the operational activity is developed, about the credit activity and the changes occurred in the market conditions.

Within the banking practice, by means of the synthetic and analytical accounts and also by means of periodical reports one can offer data and information having a histories character in connection with a part of the significant risks (the credit risk, the operational risk, the market risk, the liquidity risk and the interest rate risk). This information are sufficient, a case in which the manager must project his/her own system of collecting and processing the data and the information necessary for their management.
From the point of view of the type of information necessary to the managers, within the framework of the activity linked to identifying, monitoring and minimizing significant risks, these one are grouped into three categories: strategic planning information, managerial control information and operational information.

The information necessary for the strategic planning constitute the support for the strategic decision in connection to the objectives of the organization and the control of the way in which they are put into practice.

The information for the managerial control are meant to the knowledge of the way in which the coordination and controlling functions of the managers are applied and support the initiating of the actions contributing to the achievement of an optimal management of the significant risks.

The operational information reflect mostly daily activities of the organization, and these contributing to an efficient realization of the specific tasks. They characterize the stage of development of main activities of the credit institution, more concrete the treasure activity, cash operations, credit operations and also those for attracting sources and the risks associated to them.

Designing their own managerial information systems (completing the framework of the regulated information system), the managers of the credit institutions, have to take into account the fact that the users of the information are both from the intern and external environment of the organization.

The significant management risks need rapid reactions for adapting of the credit institutions to the changes of the environment and claim an efficient decisional process, based upon real information, relevant and accurate. The functional analysis of the managerial information system, conceived as an inseparable unit of the two components (the regulated information system and the one projected for own needs), is a way to ameliorate the process of the operative management and strategic for the management of significant risks.

As subsystems of the managerial information system, the two circuits have specialized and separate data bases, completing one another in preparing some information about the firm's performances and the associated risk levels. In this direction, the component “at order”, created, according to the users information need, must become a data base extremely mobile, integrated within the firm management and future oriented thus its information be veritable strategic sources in assuring the efficient risks management.

Because there are no restrictions and because the multitude of means existing in use for the managers, the organizing of the information system for risks management can be shaped under simple forms or complex ones, according to the way in which one wants to obtain the quality of the information. The lack of restrictions in mainly linked to the desired objectives, to the confidentiality of information and to the applicable legislation regarding the adopted significant risks management. Having much more means at its disposal this system can produce information “at order” in a utile time about the way in which the resources are used and results of activity lines types, of offered products or services, taking into account more or less elements referring to larger or smaller periods, chosen as needed.

The regulated informational subsystem, as it is conceived and organized serves mainly the financial objectives of the credit institution, while the implemented intern sub-system responds mainly to some economic needs, regarding the current and provisioned administration of the significant risks. The two systems, in their major part, use the same “raw material”, but operate with different criteria, means and proceedings – “the finite product” – the resulting information will be different both by its structure and its using destination. For example, in accounting the credits are presented under a value form, structured according to their destination, way of operating and the period for which they have been awarded. For the management of credit risks, beside the accounting information, there are also necessary information regarding the economic performances of the counterparts, the degree of risk of nonperformance associated, the liquidity of the securities and also the sectorial information of the market in which these develop their activity.

The regulated information subsystem presents the credit under the global result form, based upon the periodic financial statements data, whereas an information subsystem for the risks management can present data and information according to the requirements resulting from accounts and from the analyses drawn according to the supplement of the subsystem information.

Using the information within the decisional process the relations between the two systems are presented as follows:
In banking practice there are situations in which the management is not sufficiently supported by the information offered by the financial accounting drawn according to the Accounting International Standards, or the information presents an important part of incertitude.

We consider that this aspect comes from the way in which some phenomena and economic processes are subjectively reflected in accounts. On the other hand the framework offered by the Accounting International Standards makes many allusions to the principle of “representativeness” and of the degree of “relevance”. Not last, there exist the obligation to draw some consolidated financial statements by the multinational credit institution which develop their activity in many countries using different accounting systems, determines changes of the economic aspect of a operation versus its legal aspect (we refer to the way of registering as accounting data the interests for the granted credits – to maturity terms or to the date they are cashed and the reflecting of credits within the balance at the absolute value or wear-and-tear cost).

Because this problematic is too large, we will make reference to some aspects that must be always present when dealing with a new information system for the risks management both at the level of the credit institutions and of those regulated and supervised by the countries which have adopted the Capital Basel II Agreement.

Currently the banking information system is based upon a standard administration model of the significant risks according to Basel II capital. This refers to risks administration of the credit institutions having a unitarian method based upon three poles.

- Pole I- refers to the minimal capital requirements that every bank should have in order to cover an exposure to the credit risk, market risk and operation risk.
- Pole II- aims the supervising process of the adequate capital. In this direction the supervising authority has obligation to evaluate the internal proceedings of the credit institutions regarding the suitability of the capital to the risk profile (the cumulated level of the significant risks, more precise the credit risk).
- Pole III- refers to the market discipline and illustrates in detail the minimal level of the information that should be published by the credit institutions (the structure of the stockholders, risk exposure and the level of suitability of the capital for the risk profile of the credit institution).

Within the case of Pole I- the banks have the possibility to choose between two large categories of methodology for the calculation of the capitals demand for the credit risk:

- a standard approach, based upon external evaluations regarding the credit risk (for example those offered by the credit rating agencies);
- using the internal own system of rating, that is submitted to the express approval of the supervising authority.

The rating system comprises all methods, processes, controls, based upon data and IT systems which support the credit evaluation risk, and also the way of setting up the internal ratings of risk.
Hence, the banks should have permanently a moderate level of assets according to risk (credits, placed deposits, bonds etc.) which must represent minimum 8% of the equity.

In the case of determining credit risk through a standard approach, the credit institution attributes risk part to every asset and extra-balance-sheet position, determining the amount of ponderate assets according to risk.

The attribution to each individual risk part is made for each category of debtors (authorities, banks or companies) in detail, in order to revise the ratings offered by the external evaluation institution of the credit. The evaluation can be adjusted taking into consideration the specific factors for the decrease of the credit risk.

The probability of non-refunding attributed to each debtor, the loss caused by non-refunding and the exposure at the moment of non-refunding apply to all 5 categories of asset, as follows: exposures towards companies, banks, authorities, and retail and shares participations.

Decreasing the credit risk within Pole I is made by:
- supplying security by the debtor;
- a third part secures the debtor’s obligations;
- when the credit institution purchases a form of protection for the credit (the credit institution assures its own credits to a specialized company).

The general securities recognized by the Basel II Capital Agreement are:
- cash;
- certain bonds issued by authorities, entities of the public sector, banks, corporation and real-estate investment firms;
- certain quoted bonds;
- certain mutual funds;
- gold

In order to decrease, taking into account the securities, the credit risk by the banks that use the standard approach one can use one of the methods:
- the simple approach- allows that the secured debts receive the part of risk applicable to the securing instrument;
- the overall approach- concentrates upon the cash value of the security. This applies as an adjustment of the secured debts according to the volatility of security value.

The adjustments can be: the standard adjustment of the supervising process (settled by the Basel Committee) or the bank own adjustments regarding the volatility of the security.

For the market risk the level of the necessary capital can be determined by means of two alternative approaches:

a. The standard approach adopts a technique called “compact construction” both for the interest rate (of the placed sources and the attracted ones). This kind of approach differentiates the capital requirement for the risk specific to each transactional category of those for the general market risk.

b. The approach based upon internal models allows the bank to use its own internal method, a method which must fulfill quantitative and qualitative criteria settled by the Basel Committee and this makes the object of an express approach of the supervising authority.

The capital requirement for the market risk stated by the Basel II Capital Agreement aims a minimum level of 8% of the capital towards the moderated risk function.

The operation risk is defined by the Basel Committee as direct or indirect “loss risk” resulting from inadequate internal process or non-respected ones, the staff failure, the systems failure or from external events.

Determining the capital requirement for the operational risk realizes mainly through “base indicator”. Thus it is settled the requirement for the operational risk as a fixed percentage (known under the name of “α factor”) from the net incomes. The capital that a bank should annulated in order to protect itself against the losses caused by the operational risk is equal to fixed percentage from the average gross annual income of the past 3 years, currently, for the juridical registered Romanian bank this percentage is of 15%.

The revising process made by the supervising authorities (Pole II) has as goal to ensure the fact that the credit institutions maintain a level of the capital measured with its risk profile.

Within the framework of the revising process the supervising authority assures itself that the banks evaluate the adjustment positions of the capital in connection to the general risks. In this direction the supervisors check the evaluations of the credit institutions and set the proper measures corresponding to the framework regulations.

The supervising authority asks the credit institutions to make stress-tests (applying the part of losses of previous period for the actual level of the transaction) in order to estimate the degree at which their capital requirements determinate through an approach based on internal ratings can increase during the stress scenarios. The results of such tests should be use by the credit institutions and by supervisors in order to assure they hold enough capital reserves.
In practice, the revising process made by the supervising authority relies upon four principles: the capital adjustment; evaluation and monitoring; settling of the target indicator and intervention.

According to the provision of the Pole III the credit institutions have the obligation to publish the information regarding the risk management objectives and the policies for each separate risk area (market risk, operational risk and the risk of the interest rates risk of the bank portfolio).

For each of these risk fields, the information published by the credit institutions should cover:
- administration strategies and proceedings;
- the structure and the organization of the relevant functions in risk management;
- the area and the nature of the measuring systems and risk reporting;
- the coverage policies and/or risk decrease;
- the strategies and the monitoring processes of the permanent efficiency of the factors for covering/diminishing risk.

The main information used for determining the capital demand and the supervising requirements are extracted from the credit institutions accounting. The legal base is made mainly with the following normative deeds: The Romanian National Bank Order no. 6/2007, regarding the consolidated financial statements in conformity with the International Standards of Financial Reporting, solicited to the credit institutions in order to ensure a prudence supervising; The Romanian National Bank Regulations no. 13-26 from 2006 for the application of Basel II requirements; The Romanian National Bank Order no. 12/2007 regarding the reporting of the minimal capital requirements of the credit institutions; The Accounting Regulation of the Romanian National Bank from December 19, 2008, according to the European directions, applied to the credit institutions non-banking financial institutions and to the deposits security fund of the banking system.

The above mentioned regulations are part of the Accounting International Standards and to the International Financial Reporting Standards, standards which in some instances do not precisely settle the way of reflecting in accounting the patrimonial operations or the value at which these must be reflected.

A major problem is the actualization of some legal or economic elements presented within the financial statements or taken into account when setting the capital requirement.

Hereinafter we present some analyses in order to improve the banking information system leading to the elimination of some aspect referring to:
- the way of reflecting in accounting files of the credits in relation with the current non-preferment risk. Currently, the credits are reflected daily while the financial performance of the debtors is determined at a previous date (the last available financial situations of the clients presented to a bank);
- the securities constituted for the granted credits should be reflected at a true value.
- in accounting it is presented the level of the remaining credits or those which are in doubt, according to the value of the non-refundable probability determined by the economic performances of the debtor.
- the rating furnished by the external institutions evaluating the credit are used to reflect the quality of credits portfolio without making any allusion to the degree of credibility of the respective institution;
- according to the legal provisions, for any significant security which has been constituted there should exist a detailed presentations, without presenting the modality of determining the significance verge.

Because the regulated informational system does not assure in total the necessary information for the significant risk management, the decisions are based upon the “manager’s intuition”, and a managerial information system in which every person of a credit institution could actualize in a real period of time the necessary information for the significant risk management is fully justified.

Bibliography
Tax Incidence

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Key words: tax effects, optimal taxation, excess burden, macroeconomic policy mix

Abstract: The tax incidence is the basic concept within the tax economic theory in order to study the charges effects at the micro and macroeconomic level. It shows us who supports in the end the burden of charges and how it is spread within the whole economy through the price system.

The fiscal impact depends, though, upon a series of factors such as:
- The type of competition present within the markets and of the partial or general framework of the equilibrium existing within the studied markets;
- The present or future characteristics of the goods supply and demand functions, but also of the degree of substitution of goods and of the geographical mobility factors;
- Institutional particularities linked to the taxation taken.

As a conclusion we can say that the taxation burden, direct or indirect, is imported or exported beyond the borders and is transferred from one generation to another.

The problem to know who is supporting the burden of any type of taxation and how it is spread within the overall economy is important from the social point of view, because it regards the aspect of spreading the taxation burden between all the economic subjects and the one of effects produced upon the welfare distribution.

Introducing taxation reforms neglecting the final effect is completely without reason and realism. This is because, the sociological side of taxation must also be taken into account, together with other juridical and technical aspects, as it are possible, that the subject paying the taxes in the end is not the same person that bears the fiscal obligation.

Macroeconomic policy mix results from the combination of the two types of policies: monetary and fiscal, which, ultimately, have the same goal - achieving non-inflationary economic growth, with direct effects on living standards of people.

The impact of changes in tax policy on the economy (led by government) depends on monetary policy (controlled by the Central Bank).

Tax Repercussions

The taxing activities determines a series of social relationships as the tax set for the taxable materials may be paid by rightful economic subject, or, it may be transferred by him to a second economic subject, who, in his turn, may bear it or transfer it to others who, in the end bear the fiscal obligation.

The tax diffuses in the economy through the cash flow, but only up to a point, after that there are the financial flows of fiscal nature. Thus, the tax acts on the physical and value product of the production factors, on the transfer of the property right, on the substance and namely, on the value increase of an economic product. This complex phenomenon of tax transmission which leads to the fiscal obligation being paid by a third party is called tax repercussion. Sometimes repercussion is known or even intended by the government, but, most times it is neither foreseen nor known at the moment the enactment.

In the economic theory of taxation, besides the repercussion phenomenon, there's also the fiscal incidence which shoes the point in which the tax acts on the final taxpayer (the bearer of the tax) which occurs either after the first impact (as provided by the law), or following the repercussion. The incidence is thus, the final impact of the tax on the income allotted to the economic subjects.

The consequences spread in time and space by the fiscal incidence on all the economic subjects of one country are manifested as general economic effects, among which we can list:
- the effect on savings;
- the effect on the productive effort, especially of the work;
- the effect on the structural development of economic agents;
- the effects of the budgetary allotments they finance.

Fiscal theory and practice offer valid solutions for the political factor when they are founded on the macroeconomic indicators which form the basis of the budgetary construction or the social-economic development programs for a certain period of time.

In the economic theory of taxation we use concepts such as optimum tax, excess fiscal task, social tax cost, etc.

**Optimum tax** is the tax which generates only its corresponding fiscal task, without any influence on any excess fiscal task (considered null). The size of such a tax cannot be influenced by a change in the taxpayer’s behaviour. This being an ideal tax, it has no influence on relative prices as it is neutral.

**Excess fiscal task** represents the digression from the optimum reference tax, characteristic for each type of tax, determined by the influence of the buyers’ choice and the modification of the relative prices of the goods. In relation to it, we have the concept of **social cost of a tax** which underlines the measure in which the excess fiscal task is a loss, without any positive counterparts for other agents.

The theory of optimal taxation has as its main purpose the selection of those taxation rules and means of dividing the fiscal tasks among taxpayers which answer to one or more previously set criteria.

In this direction, we can consider two methods:

**The first one** looks for fiscal optimization, without any reference to public expenses financed from the tax, claiming that the tax should be divided among taxpayers according to the contribution capability of each of them.

**The second method** named “the equivalence method” claims that each individual should pay a tax depending on the usefulness degree of the public goods and services.

In choosing an optimal taxation there are always opposing fiscal options generated by the **equity – efficiency ratio**.

Thus, increasing the fiscal pressure over a certain limit has negative consequences on economic growth, following the budget taking a larger share of the GDP. Even of part of this taking comes back in the economic circuit through public expenses, as better quality services in health, education, culture, etc. the fiscal pressure that exceeds the acceptable level, has harmful economic, social, psychological consequences in the society, without the possibility to bring, at some point, additional resources for the public budget.

An excessive taxation determines a slowdown of the economic activity. No matter if a manufacturer or a user, each taxpayer reacts to a tax by changing the quantity of goods or facts which they offer or require, trying to transfer the fiscal task to other economic agents. In a competitive market economy, the balance is given by a single optimal combination price-quality, namely that in which the demand and offer are equal. Any other combination of this type is not efficient and created distortions if it does not respect the balance created on that market.

**Through taxation, the initial balance price is modified**, which brings along a corresponding change in the quantity changed on the market between manufacturers and consumers.

The new price, the one overtaxed, will reduce the benefits of the exchange in comparison to the balanced competitiveness situation of the customer and manufacturer, as the state takes for the budget a part of that two excesses. Due to the fact that the price paid by the consumers is raised, they will require a lower quantity of goods. At the same time, getting a lower price per product unit, determines the manufacturers to offer a lower quantity of goods than the balance one.

The negative effect on the demand of products on the market, concerning restriction, spreads in the economy by reducing the volume of the productive investments, a reduction of the production capacities and the increase of unemployment.

**Taxation causes a social effect as well** which is materialized in social conflicts, as the increase of fiscal pressure does not stimulate and does not generate a normal motivation for work.

From a psychological point of view, the taxpayer cannot understand the fact that he has to work more and earn less, in order to give the state an ever growing part of his income.

This state of fact encourages illegal employment, deceit, fiscal fraud, under all evasion forms.

Of course, on the long term, the public budget will also have to suffer as the taxed material is reduced, leading to what Arthur Laffer demonstrated “too much taxation kills taxation”.

The increase of taxation draws in a “increase of inflation”, because, just as economic agents want to recover the tax increase through their prices, transferring the fiscal incidence on the consumer, the employees (both in the public and private sector) try to recover, through bigger wages, the loss of purchase power (following the increase of prices), as well.
Taking the Romanian economy as a model, we can say that it has known contradictory fiscal options, in the 20 years, generated by the instability of the legislation and state institutions, bureaucracy and corruption, non-realistic policies and the negative influence of interest groups.

This state of facts has encouraged the year-to-year growth of underground economy or untaxed economy, which, according to a study carried out by American analysts has registered a 33% of GDP in 2008 placing Romania on the second place in EU (after Bulgaria). In absolute figures, this meant about 46 billion euro of which the state budget has lost 7.4 billion euro (16% of the corresponding tax).

At the level of an economic agent, taxation with the employees reaches about 62% of the total monthly wages (tax + contributions), which makes me say that in the market economy, the personnel policy is directed by the state and not by the manager of the company.

It is true that the state, in order to keep inflation within reasonable limits, must apply a control policy for complementary income as well as for the prices (through the level of VAT, exercise duty, etc.). But a fiscal relocation at the level of direct costs would lead to the reduction of untaxed economy, and in the end, to the increase of the volume of returns to the budget.

In times of crisis, fiscal relaxation is needed in order not to bring the economy to bankruptcy. A bankrupt economy cannot insure that the necessary resources from taxes and contributions are brought to the budget. A fiscal relaxation is needed in order to allow the companies to keep the same number of employees and develop on the market.

A 2% reduction of the income tax and the health insurance would be one signal. Then the long term stability of the legislation, the reduction of the bureaucracy would be another signal. After that, the state should cease to consider the employer a possible criminal, this would be the most important signal.

In the direct state- taxpayer relationship, the latter feels hounded a political refugee and not a citizen with full rights, in the care of the state.

The finance ministry would answer that it agrees to the reduction of taxation on income, but what should we replace it with? The answer is simple: we gradually transfer part of the income taxation to the results. This way, the company can get some oxygen: it can hire more employees, and it can even pay them better, without the connecting taxation suffocating it. It can then make these people work, increase production, sell and live (without the “black market”) and can pay its taxes.

You’ll tell me that this has no effect. Well, it does! We cancel the income tax, which has no relevance and introduce STT – Share of Turnover Tax, levied on the gross result of the economic agent.

On medium and long term (10-15years) following this principle we can cancel the wages tax. Why? Because the employee of a company is not in direct connection to the state, only with the administrator of the company – the employer.

The employer does not have his own business, he is part of the employer’s business. Only the one that has an independent economic activity is in direct relationship with the state. And thus, he will pay income tax to the state (or turnover tax) but not wages tax.

And then, the state will tax until it can supply the whole budget. And then, why should we pay ten taxes and not just one or two, allowing the taxpayer to breathe?

A more complicated problem is raised concerning the mandatory contribution for pensions and for the health system.

I have paid the national health system my whole life (11 years in socialism and 20 years after the Revolution), but I don’t consider myself an insured person, as my money are gone, and the state will give me (if it ever does) as much as it can, and as much as the politicians want, when I will be retired. Isn’t it normal to ask myself why does the state keep confiscating 10,5% of my monthly income for a so-called pension?

It is neither moral, nor efficient, as this method has no perspective. It would be more efficient if for the coming 10 years all employees start saving these 10,5% in a private pension fund, authorized by the state, and in the meantime, the state pay the pensions from the state budget. After these 10 years, this fund could start paying the pensions for the insured, depending on how much people have saved, while the state pension can decrease accordingly.

At the same time, the German insurance system is not applicable in Romania. We can connect it to the pension fund and they can function very well together, as follows: any private pension insurance can begin as a life insurance that covers certain risks (Accidents, diseases, death, etc.) to which an additional payment for hospitalization is added. The maturation period for the insurance policy may depend on the age of the insured person (employed, or unemployed), namely a period of 10, 15, 20, 25 or 30 years. at maturity, the life insurance turns into a private pension.

Indeed, the state would have to strain the budget for 10 years, as the amount would be large, but I am sure that in 10 years both the pension system and the health system would work normally, as in the West.

Anyway, this proposal is a valid solution in comparison to the present situation which clearly has no future.

The state just has to take care of the economy (provide facilities) and at the same time, the taxpayers must trust the state.
I know the power gives up the political instrument hard as this insures its authority. But I think that after 20 years of amateurism in the management of public money, the time has come for us to do what we should. The state budget should be approved for 4 years, based on the governing programme, and some budgetary variables can be corrected annually through an amending law. The accounting discharge should be made at the end, and the responsibility of the authorizing officers (including ministerial) and not just look at the laws, but also consider the performance criteria of public management.

**Tax incidence and macroeconomic policy mix in Romania**

Macroeconomic policy mix results from the combination of the two types of policies: monetary and fiscal, which ultimately have the same goal - achieving non-inflationary economic growth, with direct effects on living standards of people.

The impact of changes in tax policy on the economy (led by government) depends on monetary policy (controlled by the Central Bank). For example, if the government increases taxes, the effect of this change on the economy depends on how the monetary authority responds to increased taxation. An expansionary fiscal policy lead to increased interest rates, leading eventually to a decrease in investment.

To prevent the growth of the interest rate by an accommodative monetary policy, central bank could increase money supply, which will stimulate investment and aggregate demand.

In conclusion, we can say that a mix of monetary and fiscal policies need to be applied in the economy, through the agreement of the two responsible institutions - Central Bank and the Government because an expansionary monetary policy reduces interest rates, while a expansionary fiscal policy will increase its level.

An appropriate mix of monetary and fiscal policies is the recognition of their various effects and separate tracking of their unique objectives.

**Fiscal policy** determines the allocation of national resources between the public and private sector and affect GDP growth in the economy's long-term by influencing both consumption and household savings and investment.

But, on short term, its effects are unpredictable. Instead, **monetary policy** has short-term effects more predictable, influencing aggregate demand and economic activity, the objective being the price stability and thereby keeping inflation in check. In the long term, monetary policy can only control inflation and exchange rate of national currency, but can not affect GDP growth and employment of labor.

In Romania, after 2000, monetary and fiscal policy were the main instruments used to achieve the macroeconomic objective of maintaining economic growth along with achieving a low inflation. In parallel was intended to improve foreign investor perceptions about the national economy in order to enhance capital inflows in various forms: bank lending, foreign direct investment, bank reserve accumulation, etc.

It should be noted that sometimes fiscal dominance of government hinder the effectiveness of monetary policy measures. Fiscal policy should be adjusted so as not to endanger the inflation target. This is because fiscal policy have several objectives and is subject to a legislative process slow and unstable, while monetary policy enjoyed both autonomy as regards the possibility of action and political independence, and therefore, can be adjusted quickly to economic problems.

As EU candidate country, Romania has had to improve its macroeconomic indicators making progress, especially after 2003, in the line of stability and economic growth and restructuring of financial systems. This has resulted in a relaxation of financial constraints and bank credit growth, causing increased investment and consumption. These changes have generated pressure on asset prices, goods and services by increasing them.

Thus, increased demand for foreign goods, causing deterioration of trade balance, although the restrictive fiscal policy has helped to mitigate the phenomenon. Meanwhile, domestic demand has accelerated in the years 2003-2008, amid rapid expansion of credit and wage growth, increasing current account deficit from 7.6% in 2004 to over 15% in 2008. In fact, the 2003-2008 period was recorded across Europe an excess consumption being powered by a brazen advertising and easy access to any consumer credit. At the same time, producers credit was rationed.

Launching the global financial crisis in 2008 has surprised everyone, both in scope and speed and as a destabilizing force on banking and financial system and, as a consequence, on the private economic environment.

Western economies are more likely to curb the social effects of the crisis, because they rise vertically, based on productivity and efficiency. To deal with the crisis they can call the main resource available - the rational organization of production and work.

In an economy like ours, economic policies that the just started to show results, give no longer the desired results. The economy desperately needs foreign investment in production, because we don’t have domestic resources. We have spent on consumer goods. At the same time, we must drastically reduce domestic deficit, because the external is reduced by stopping imports. Also, it should feel a relaxation in the banking system of granting credits for production, given that we contracted a massive external credit. But, unfortunately, the state attracts the most liquidity at the expense of private economic agents. This will result
in extending the period of economic contraction. This, more so as it was applied a uneconomical fiscal policy, introducing a flat tax in circumstances where private economy is stifled by a high tax burden, with a lack of liquidity and rising unemployment. This will lead to prolonged period of crisis in our country.

Government policies have been chaotic, no more harmonized with central bank policy.

Political instability in Romania came "just in time", stressing the social phenomena of the economic crisis, as opposed to mitigate or even eliminate them.

While other countries are making progress and get out of the crisis, we immerse ourselves more and more. Making fun of trouble, we can say that we made progress: at least is good that the IMF has refused to pay the second tranche of the credit, because no lion in the first tranche was allocated to production, but only for consumption.

We owe future generations, but we have the political unconsciousness of spending money borrowed from abroad, such as budgetary surplus. Political amateurism stands out more than it is in this difficult time for our country.

"Future Shock" is a warning to everyone. Less for us! We are left cold!

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The Score - Method – Evaluation Instrument for the Bankruptcy Risk

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Keywords: bankruptcy, score-method, risk, analysis

Abstract: The score-method aims to detect the bankruptcy risk of a company. This method involves the use of a predictive model based on the construction of a score-function in the form of a linear combination of ratios. The ratios are selected through statistic methods following prior examinations of samples of companies, some with financial difficulties and other without financial difficulties. The bankruptcy risk of a company depends on its “score” and it is analysed accordingly. There are some worldwide known models for score-function determination. By comparing the existing models, there can be noticed that all of them use at least a performance indicator along with elements describing the financial position of the company. The choice of models depends both on the company’s field of activity and on other particularities the financial analyst identifies. Even if the forecast horizon is limited and the result interpretation must be done in a reasonable manner, the score-method remains a quick and useful means of bankruptcy risk evaluation.

Introduction

The risk of bankruptcy (insolvability) represents the incapacity of the company to face the falling due obligations resulting from the current operations, the realization of which condition the continuity of the activity, by obligatory prelevations.

Maintaining the solvability and assuring the financial balance are imperatives for any company. In the situation in which the enterprise witnesses permanent difficulties, due to an economic and financial weakness or fragility, the risk for bankruptcy is imminent.

In evaluating the bankruptcy risk one can use:
- the statistic analysis of the bankruptcy risk, based upon the balance-sheet;
- the functional analysis of bankruptcy risk, based upon the functional balance;
- the analyses of the bankruptcy risk based upon score-method.

The method of scores enables the evaluation of the bankruptcy risk under three aspects:
- the synthetic appreciation of the financial situation from provisional optics, based upon events and enterprise performances from a previous period;
- the objective appreciation of the financial situation through a set of efficiently combined rates in order to forecast the difficulties of the enterprise;
- the elaboration of a series of notes with the means of which one can determine the bankruptcy risk based upon a comparative testing, during a longer period of time, of the behavior of the enterprises registering difficulties or without financial difficulties.

1. Methods to forecast business bankruptcy

World-wide, the most known methods to forecast business bankruptcy are: Beaver’s study (1966), Conan and Holder’s model (1998), the Agreed Accountants’ model (CA score-1987), A. Fulmer’s model (1984) etc.

There also exist models of the Romanian researchers, such as: Mânecu & Nicolae (1996), Ivonciu model (1998), Bălășteanu (1998) and Anghel model (2002).

All these models are based upon the using of discriminated analysis techniques for a group of profitable and bankrupting firms, by means of which one can select a linear combination of financial rates (5-8 financial rates, for some models even 14 rates), the most relevant from the point of view of bankrupt predictability. Every rate is balanced by a certain coefficient, according to the importance that the creator of the model has given to the different elements of the financial situations and also according to the branch for which the analysis is applied.

In order to exemplify, we have chosen the data reported within the financial statements of the period 2004-2008 of the firm “A” (table 1), upon which we present hereinafter some models of the risk forecasting. The chosen company is a regional leader of the retail market in the field of building and design materials.

Table no.1. Reported information in the financial statements of the „A” company

<table>
<thead>
<tr>
<th>Crt. no.</th>
<th>Specification*</th>
<th>U. M.</th>
<th>Analyzed period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total assets, from which:</td>
<td>lei 26.500.633</td>
<td>41.734.976</td>
</tr>
<tr>
<td>3</td>
<td>Current assets</td>
<td>lei 15.096.416</td>
<td>20.489.485</td>
</tr>
<tr>
<td>3.1</td>
<td>Stocks</td>
<td>lei 8.662.505</td>
<td>14.738.150</td>
</tr>
<tr>
<td>3.2</td>
<td>Disposals</td>
<td>lei 3.040.313</td>
<td>639.461</td>
</tr>
<tr>
<td>4</td>
<td>Total liabilities, from which</td>
<td>lei 10.819.228</td>
<td>15.351.828</td>
</tr>
<tr>
<td>5</td>
<td>Over 1 year liabilities</td>
<td>lei 515.371</td>
<td>56.809</td>
</tr>
<tr>
<td>6</td>
<td>Un to 1 year liabilities</td>
<td>lei 10.238.314</td>
<td>15.295.019</td>
</tr>
<tr>
<td>8</td>
<td>Net turnover</td>
<td>lei 80.132.174</td>
<td>121.011.983</td>
</tr>
<tr>
<td>10</td>
<td>Gross surplus resulting from exploitation</td>
<td>lei 11.426.144</td>
<td>15.750.224</td>
</tr>
<tr>
<td>11</td>
<td>Personal expenditures</td>
<td>lei 1.247.583</td>
<td>2.998.608</td>
</tr>
<tr>
<td>12</td>
<td>Financial expenditures</td>
<td>lei 529.908</td>
<td>2.192.387</td>
</tr>
<tr>
<td>14</td>
<td>Net profit</td>
<td>lei 8.080.538</td>
<td>8.864.593</td>
</tr>
<tr>
<td>15</td>
<td>Reinvested profit</td>
<td>lei 8.080.538</td>
<td>581.404</td>
</tr>
</tbody>
</table>

*It has been selected only the data that will be used for further computations

2. The Altman model

The Altman model, elaborated in 1968, supposes the relatively simple computation of five economic indicators, used then within the following relation:

\[ Z = 1.2 R_1 + 1.4 R_2 + 3.3 R_3 + 0.6 R_4 + 1.0 R_5 \]
where:

\[ R_1 = \frac{\text{Current assets}}{\text{Total assets}} \]
\[ R_2 = \frac{\text{Reinvested profit}}{\text{Total assets}} \]
\[ R_3 = \frac{\text{Gross profit}}{\text{Total assets}} \]
\[ R_4 = \frac{\text{Stock exchange capitalization}}{\text{Total liabilities}} \]
\[ R_5 = \frac{\text{Net turnover}}{\text{Total assets}} \]

One can consider that the model enables to illustrate the probability of the appearance of a bankruptcy situation two years before it happens.

The Altman model is applicable especially for the companies quoted at the stock exchange. Afterwards, it has been elaborated a version that can be applied in the case of the companies non-quoted at the stock-exchange:

\[ Z = 0.717 R_1 + 0.847 R_2 + 3.107 R_3 + 0.42 R_4 + 0.998 R_5 \]

in which the variables used are determined in the same way as previously, except the variable \( R_4 \) which is calculated as in the relation:

\[ R_4 = \frac{\text{Equities}}{\text{Total liabilities}} \]

The interpretation of the value of the function \( Z \) is made as:

a) for the quoted firms:
- the state of bankruptcy is imminent;
- the financial situation is poor, the bankruptcy risk is undetermined;
- the financial situation is good, low risk of bankruptcy.

b) for the firms of the industrial sectors:
- the state of bankruptcy is imminent;
- the financial situation is poor, undetermined risk of bankruptcy;
- the financial situation is good, low risk of bankruptcy.

c) for the firms belonging to the non-industrial firms:
- the state of bankruptcy is imminent;
- the financial situation is poor, undetermined risk of bankruptcy;
- the financial situation is good, low risk of bankruptcy.

### Table no. 2. The calculation of the score function – Altman model

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total assets</td>
<td>lei</td>
<td>At</td>
<td>26,500,633</td>
<td>41,734,976</td>
<td>78,545,874</td>
<td>126,120,415</td>
<td>221,334,463</td>
</tr>
<tr>
<td>2</td>
<td>Net turnover</td>
<td>lei</td>
<td>CA</td>
<td>80,132,174</td>
<td>121,011,983</td>
<td>174,780,296</td>
<td>254,086,645</td>
<td>395,491,183</td>
</tr>
<tr>
<td>3</td>
<td>Reinvested profit</td>
<td>lei</td>
<td>Pr</td>
<td>8,080,538</td>
<td>581,404</td>
<td>1,399,705</td>
<td>8,071,322</td>
<td>20,475,736</td>
</tr>
<tr>
<td>4</td>
<td>Equities</td>
<td>lei</td>
<td>Cpr</td>
<td>15,681,405</td>
<td>26,383,148</td>
<td>31,737,909</td>
<td>53,881,035</td>
<td>101,857,259</td>
</tr>
<tr>
<td>5</td>
<td>Total liabilities</td>
<td>lei</td>
<td>Dt</td>
<td>10,819,228</td>
<td>15,351,828</td>
<td>46,807,965</td>
<td>72,239,380</td>
<td>119,477,204</td>
</tr>
<tr>
<td>6</td>
<td>Gross profit</td>
<td>lei</td>
<td>Pb</td>
<td>10,356,466</td>
<td>11,628,077</td>
<td>14,449,853</td>
<td>29,909,613</td>
<td>59,909,361</td>
</tr>
<tr>
<td>7</td>
<td>Current assets</td>
<td>lei</td>
<td>Ac</td>
<td>15,096,416</td>
<td>20,489,485</td>
<td>39,603,174</td>
<td>59,496,525</td>
<td>106,808,406</td>
</tr>
<tr>
<td>8</td>
<td>R1 %</td>
<td>%</td>
<td>Ac/At</td>
<td>57</td>
<td>49</td>
<td>50</td>
<td>47</td>
<td>48</td>
</tr>
<tr>
<td>9</td>
<td>R2 %</td>
<td>%</td>
<td>Pr/At</td>
<td>30</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>R3 %</td>
<td>%</td>
<td>Pb/At</td>
<td>39</td>
<td>28</td>
<td>18</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>11</td>
<td>R4 %</td>
<td>%</td>
<td>Cpr/Dt</td>
<td>145</td>
<td>172</td>
<td>68</td>
<td>75</td>
<td>85</td>
</tr>
<tr>
<td>12</td>
<td>R5 %</td>
<td>%</td>
<td>CA/At</td>
<td>302</td>
<td>290</td>
<td>223</td>
<td>201</td>
<td>179</td>
</tr>
<tr>
<td>13</td>
<td>Z = 0.717R1 + 0.847R2 + 3.107R3 + 0.42R4 + 0.998R5</td>
<td>-</td>
<td>Z</td>
<td>5,50</td>
<td>4,85</td>
<td>3,45</td>
<td>3,45</td>
<td>3,40</td>
</tr>
</tbody>
</table>

**Assessments:** The value of the function score calculated according to the Altman model (greater then 2,60 as it is the limit value in the case of non-industrial sectors) indicates a good financial situation, the firm being solvable and having a low risk of bankruptcy.
3. The Conan and Holder model

The Conan and Holder model, elaborated in 1978, proposes particularized functions for the activity sectors. For example, for the industrial enterprises the proposed score – function is:

\[ Z = 0.24 R_1 + 0.22 R_2 + 0.16 R_3 - 0.87 R_4 - 0.10 R_5 \]

where:
- \( R_1 = \text{Gross exploitation surplus} / \text{Total liabilities} \)
- \( R_2 = \text{Permanent capitals} / \text{Total liability} \)
- \( R_3 = \text{Current assets – stocks} / \text{Total assets} \)
- \( R_4 = \text{Financial expenditures} / \text{Net turnover} \)
- \( R_5 = \text{Personal expenses} / \text{Added value} \)

The values of the function score specific for this model can be interpreted as follows:

<table>
<thead>
<tr>
<th>The value of the function Z</th>
<th>The situation of the enterprise</th>
<th>The risk of bankruptcy</th>
</tr>
</thead>
<tbody>
<tr>
<td>( Z &lt; -0.05 )</td>
<td>Failure</td>
<td>&gt; 90%</td>
</tr>
<tr>
<td>-0.05 (&lt; Z \leq 0.04 )</td>
<td>Danger</td>
<td>65% - 90%</td>
</tr>
<tr>
<td>0.04 (&lt; Z \leq 0.1 )</td>
<td>Alert</td>
<td>30% - 65%</td>
</tr>
<tr>
<td>0.1 (&lt; Z \leq 0.16 )</td>
<td>Good</td>
<td>10% - 30%</td>
</tr>
<tr>
<td>( Z &gt; 0.16 )</td>
<td>Very good</td>
<td>&lt; 10%</td>
</tr>
</tbody>
</table>

Another version of the model, valuable in the case of the wholesale commercial enterprises, the function has the form:

\[ Z = 0.0136 R_1 + 0.0197 R_2 + 0.0341 R_3 + 0.0185 R_4 - 0.0158 R_5 - 0.0122 \]

where:
- \( R_1 = \text{Permanent capitals} / \text{Total assets} \)
- \( R_2 = \text{Working capitals – Stocks} / \text{Total assets} \)
- \( R_3 = \text{Equities} / \text{Total assets} \)
- \( R_4 = \text{Gross exploitation result} / \text{Total assets} \)
- \( R_5 = \text{Needed working capital} / \text{Net turnover} \)

The probability of bankruptcy in this situation can be appreciated as follows:
- \( Z < -0.3 \) reflects a difficult situation and the bankruptcy may occur with a probability situated between 35% and 65%;
- \( 0.3 < Z < 0.2 \) the probability of the appearing of the bankruptcy state is comprises between 35% and 65%;
- \( Z \geq 0.2 \) the probability of bankruptcy is lower than 40%.

### Table no. 3. The calculation of the function score – Conan and Holder model

<table>
<thead>
<tr>
<th>Crt. no.</th>
<th>Specification</th>
<th>U. M.</th>
<th>Symbol</th>
<th>Analyzed period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>1</td>
<td>Current assets - Stocks</td>
<td>lei</td>
<td>Ac - S</td>
<td>6.433.911</td>
</tr>
<tr>
<td>2</td>
<td>Long-term capital</td>
<td>lei</td>
<td>Cpm</td>
<td>16.196.776</td>
</tr>
<tr>
<td>3</td>
<td>Total asset</td>
<td>lei</td>
<td>At, Pt</td>
<td>26.500.633</td>
</tr>
<tr>
<td>5</td>
<td>Net turnover</td>
<td>lei</td>
<td>CA</td>
<td>80.132.174</td>
</tr>
<tr>
<td>6</td>
<td>Gross surplus resulting from exploitation</td>
<td>lei</td>
<td>Ebe</td>
<td>11.426.144</td>
</tr>
<tr>
<td>8</td>
<td>R1 % Cpm/At</td>
<td></td>
<td></td>
<td>61</td>
</tr>
<tr>
<td>9</td>
<td>R2 % (Ac- S)/At</td>
<td></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>10</td>
<td>R3 % Cpr/At</td>
<td></td>
<td></td>
<td>59</td>
</tr>
</tbody>
</table>
Assessments: According to the values registered by the score - function Conan – Holder during the analyzed period, the financial situation of the enterprise is good, the probability of bankruptcy risk appearance being reduced.

4. The Taffler model

The Taffler model, used especially in the case of the firms in Great Britain, has the following score function:

\[ Z = 0.53 R_1 + 0.13 R_2 + 0.18 R_3 + 0.16 R_4 \]

where:

- \( R_1 \) = Gross result / current liabilities;
- \( R_2 \) = Current assets / Total liabilities;
- \( R_3 \) = Current liabilities / Total assets;
- \( R_4 \) = Net turnover / Total assets

The values of the functions can be interpreted as follows:

- \( Z < 0.2 \) the bankruptcy probability is reduced
- \( Z > 0.3 \) the bankruptcy risk is reduced

Assessments: The values of the score – function expressed following the Taffler model, greater than the limit value of 0.3 during the analyzed period, indicates a reduced risk of the firm’s bankruptcy.

5. The Anghel model

The Anghel Model, elaborated in 2002, represents an applicable version for the Romanian economy and it comprises four financial rates:

\[ A = 5.676 + 6.3718 R_1 + 5.3932 R_2 - 5.1427 R_3 - 0.0105 R_4 \]
where:
- \( R_1 = \frac{\text{The net result}}{\text{The net turnover}} \)
- \( R_2 = \frac{\text{Disposals}}{\text{Total assets}} \)
- \( R_3 = \frac{\text{Total liabilities}}{\text{Total assets}} \)
- \( R_4 = \frac{360}{\frac{\text{Total liabilities}}{\text{Net turnover}}} \)

**Table no. 5. The calculation of the score – function - Anghel model**

<table>
<thead>
<tr>
<th>Crt. no.</th>
<th>Specification</th>
<th>Symbol</th>
<th>Analyzed period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>1</td>
<td>Net profit</td>
<td>lei Pn</td>
<td>8.080.538</td>
</tr>
<tr>
<td>2</td>
<td>Disposals</td>
<td>lei Db</td>
<td>3.040.313</td>
</tr>
<tr>
<td>3</td>
<td>Total liabilities</td>
<td>lei Dt</td>
<td>10.819.228</td>
</tr>
<tr>
<td>4</td>
<td>Total assets</td>
<td>lei At</td>
<td>26.500.633</td>
</tr>
<tr>
<td>5</td>
<td>Net turnover</td>
<td>lei CA</td>
<td>80.132.174</td>
</tr>
<tr>
<td>6</td>
<td>( R_1 ) %</td>
<td>Pn/CA</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>( R_2 ) %</td>
<td>Db/At</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>( R_3 ) %</td>
<td>Dt/At</td>
<td>41</td>
</tr>
<tr>
<td>9</td>
<td>( R_4 ) zile</td>
<td>Dt/CA</td>
<td>48,6</td>
</tr>
<tr>
<td>10</td>
<td>( Z = 5,676 + 6,3718 \times R_1 + 5,3932 \times R_2 - 5,1427 \times R_3 - 0,0105 \times R_4 )</td>
<td>-</td>
<td>4,29</td>
</tr>
</tbody>
</table>

**Assessments:** The same as in the previous models, the score – function calculated according to Anghel model indicates a reduced bankruptcy risk for the analyzed enterprise, the registered values over-passing the minimal recommended value 2,05.

**Conclusions**

The score method represents thus a rapid and useful instrument in detecting the bankruptcy risk, on the conditions that the forecast horizon does not over-pass 2 years. The used data, irrespective the chosen model, are public data, reported in the financial statements of the firms. Comparing the score – functions of the presented models, one can observe that all of them are based both upon balance elements, of the kind of assets and liabilities, but also elements from the profit and loss account. As performance indicators, we found again in these functions the net turnover, the added value, the gross surplus from exploitation and of course the profit (gross or net). As one can see from our example, applying different models of calculation of the score – function in the case of a firm, it leads, as a rule, to similar results, proving thus the validity of the models. It is though indicated to choose a model that uses significant rates for the analyzed firm and the interpretation of the results should be made in a reasonable way, taking into account other factors that can influence its further activity.

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Global Financial Crisis: a Description of its Epicenter - the United States of America

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Key words: Financial Crisis, Subprime, USA, panic, financial regulation.

Abstract: This paper presents developments that led to the financial crisis. There is a brief account for relevant events in the USA. In addition, the paper emphasizes that the lack of rules was one of the most important factors that triggered the current situation. Likewise, it describes the business model that led to liquidity problems and insolvency. Besides, it shows that the financial problems are not scientifically explained. Finally, a brief report on construction of statistical distributions for some of the crises of the last century and, at the same time, a comparison with the current crisis in the United States, is provided.

Introduction

In the summer of 2007, began one of the less studied phenomena by economists. It was the first global financial panic of the 21st century. At the time of writing this paper, January 2009, the total asset value losses of financial institutions was estimated at 700 billion dollars. The overall stock market losses exceeded thirty trillion. The stock exchange index of the world’s largest 500 companies, the S&P500, had fallen 39 percent in 2008; the NASDAQ, 42 percent; and the Dow Jones, 35 percent.

Our goal, in this paper, is to analyze the epicenter of the global crisis, the current financial panic in the United States of America (USA), and to compare it with those that have occurred during the past century in the same country. Likewise, we intend to gauge the extent of the financial panic.

This paper is organized as follows: the section titled Origin of the Global Financial Crisis, deals with developments that led to the financial crisis. In the section of Financial Deregulation, there is a brief account for relevant events in the USA. It emphasizes that the lack of rules was one of the most important factors that triggered the current situation. The section named New Banking Model describes the business program that led to liquidity problems and insolvency. In the section headed Methodological Problems in Derivatives Calculation Techniques it is argued that the financial phenomenon is not well understood scientifically yet. The section on Statistical Analysis of Crises shows the construction of statistical distributions of each crisis. Lastly, the authors’ concluding remarks are provided.

Origin of the Global Financial Crisis

This section describes concatenated events that led to the first global financial crisis of the 21st century. Actually, the epicenter of that crisis took place in the United States of America.

Kindleberger (1996), an economist who was devoted to study financial panics in the United States, found that in the 19th century crises showed up every ten years: 1816, 1826, 1837, 1847, 1857, and 1866. Speculative bubbles begin with a shift of interest on some lines of business. When companies move to sectors where profits exceed losses, the boom has begun. This was the case for housing loans in the United States and other countries in recent years.

Among the factors associated with the boom in the USA is a monetary policy that enhanced economic upshot. During the period 2001-2005 the United States enjoyed low interest rates. Furthermore, current account surplus countries, such as China, gave support to this policy. Those countries were
overwhelmingly involved in buying assets in the United States to hedge against the risk of a dollar appreciation\(^i\).

![Graph No. 1
US Federal Reserve Interest Rate (percent) (1954-2008).](image)

Source: www.federalreserve.gov.

Other factors that also may have influenced booming are financial deregulation, tax policies, especially tax benefits for second home purchasers and tax cuts for those who had the highest income during the Bush administration (Chin, 2009)\(^v\).

**Financial Deregulation**

In several countries it has been found that there is a relationship between banking crisis and financial liberalization, Demirgüç-Kunt and Detragiache (1998). Effects are larger, when regulatory and supervisory institutions are week.

Since deregulation processes began, the world experienced several crises, which Laeven and Valencia (2008) have listed. Below a table of the different types of crises from 1970 to 2007 is given.

<table>
<thead>
<tr>
<th>Financial Crises 1970-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crisis Type</strong></td>
</tr>
<tr>
<td>Banking Crises</td>
</tr>
<tr>
<td>Foreign Exchange Crises</td>
</tr>
<tr>
<td>Debt Crises</td>
</tr>
<tr>
<td>Double Crises</td>
</tr>
<tr>
<td>Triple Crises</td>
</tr>
</tbody>
</table>


In the experience of the United States, financial deregulation reached its highest point in the nineties. Nevertheless, during recent financial crisis, it could have happened that despite the strength of regulatory institutions, there were market participants that were not subject to capital requirements. It was the case for investment banks holdings of risky assets.

In addition, supervision was weaker for structured financial products, in which primary guaranties were low quality housing loans. Therefore, the so called *sub prime* loans belong to that kind of assets.

It was considered that financial innovations had come to satisfy the interest on housing loans\(^i\). Nonetheless, systemic risk effects were not foreseen. Several stages of the selection process of people receiving such loans, failed.
**New Banking Model**

Loan expansion takes on diverse forms. In this particular case, it was accompanied by very important changes in the structure of the financial system. New financial instruments came into scene and a new business strategy of financial intermediaries arose.

What Kindleberger calls *euphoria*, occurs when the object of speculation in this case, housing, enter in the phase of increasing prices. Not only housing banks, but also new stakeholders, such as traditional banks, investment banks, hedge funds, and rating agencies, came into the game.

Banks abandoned the traditional “originate and hold” model. They stopped risk taking on capital loans. Instead, the “originate and distribute” model was used. That model implies a risk transfer to other market participants.

In addition, banks established a network of subsidiary institutions that issued securities without incorporating them into their balance sheet; thus, evading the duty of increasing their capital and avoiding the payment of taxes that the security sales caused.

**Structured Financial Products**

These new financial products are created by the issuance of securities based on the original housing loans. Housing loans are grouped according to their default risk. For that purpose they are divided into tranches, in order to market them as debt bonds to the remainder of institutional investors, insurance companies, pension funds and hedge funds around the world.

**Sub prime Residential Mortgage Backed Securities (RMBS)**

**RMBS Structure**

Graph No. 2


*Prime* loans have acceptance among financial institutions because they are allotted to customers who have no default history; the loan amounts from 60 to 80 percent of the house value. The rating of these loans is above 700 FICO (*Fair Isaac Corporation*) points.

*Sub prime* loans are residential loans with such features that attract low income borrowers. Such loans are excessively onerous and eventually they exceeded the borrower payment capacity. Therefore, the rating of these loans is low, between 500 and 600 FICO points. The lower the loan rating, the greater the risk of default and the higher the interest rate charged.

The typical customers for this type of housing loans underwent a history of default on their mortgage payments; they had either filed for bankruptcy or had been foreclosed 3 to 5 years prior to the housing credit. The debt to income ratios was about 40 percent and the loan to house value ratio was over 80 percent.
Most of these loans originated with the purpose of selling them through structured investment
vehicles (SIV's, Structured Investment Vehicles), which are entities for special purposes (REMIC, Real
Estate Mortgage Investment Conduits) that issue residential mortgage backed securities (RMBS, Residential
Mortgage-Backed Security), bonds, securities and other investment instruments to be resold to pension
funds and other fixed income investors. The same process takes place for some commercial mortgages
(CMBS, Commercial mortgage-backed securities).

Over residential mortgage backed securities (RMBS), other securities were issued, such as CDS
(Credit Default Swaps), which are default risk hedging instruments. Also secured credit debt obligations,
CDO's (Credit Debt Obligations) were issued. These types of instruments were used to secure the issuance
of square CDOs and the latter, in turn, to issue of cubic CDOs. These instruments belong to the group called
“the shadow banking system”, since it is not possible to identify the composition of the risk involved.

It is evident that there is an immoderate expansion of leverage through securities that only in the end have the eventual mortgage payment guaranty. According to David Cho of the Washington Post, calculation regarding total so called toxic assets, that is, default risk, amounts to 2 billion dollars. Financial intermediaries had been speculating with such loans.

Table No. 2

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2007Q3</th>
<th>2007 Q4</th>
<th>2008 Q1</th>
<th>2008 Q2</th>
<th>2008 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Index Variation</td>
<td>-1.8</td>
<td>-5.3</td>
<td>-6.6</td>
<td>-2.2</td>
<td>-3.5</td>
</tr>
<tr>
<td>Actual Residential Construction (Billion Dollars)</td>
<td>445.3</td>
<td>411.6</td>
<td>383.0</td>
<td>369.6</td>
<td>353.7</td>
</tr>
<tr>
<td>Actual Residential Construction Percent Variation</td>
<td>-5.6</td>
<td>-7.6</td>
<td>-6.9</td>
<td>-3.5</td>
<td>-4.3</td>
</tr>
<tr>
<td>Defaults (All loans)</td>
<td>5.59%</td>
<td>5.82%</td>
<td>6.35%</td>
<td>6.41%</td>
<td>6.99%</td>
</tr>
<tr>
<td>Foreclosures initiated in the trimester (All loans)</td>
<td>0.78%</td>
<td>0.83%</td>
<td>0.99%</td>
<td>1.19%</td>
<td>1.07%</td>
</tr>
<tr>
<td>Defaults (Prime Loans)</td>
<td>3.12%</td>
<td>3.24%</td>
<td>3.71%</td>
<td>3.93%</td>
<td>4.34%</td>
</tr>
<tr>
<td>Foreclosures initiated in the trimester (Prime Loans)</td>
<td>0.37%</td>
<td>0.41%</td>
<td>0.54%</td>
<td>0.67%</td>
<td>0.61%</td>
</tr>
<tr>
<td>Defaults (Sub prime Loans)</td>
<td>16.31%</td>
<td>17.31%</td>
<td>18.79%</td>
<td>18.67%</td>
<td>20.03%</td>
</tr>
<tr>
<td>Foreclosures initiated in the trimester (Sub prime loans)</td>
<td>3.12%</td>
<td>3.49%</td>
<td>4.06%</td>
<td>4.70%</td>
<td>4.13%</td>
</tr>
</tbody>
</table>


Table No. 3

<table>
<thead>
<tr>
<th>GLOBAL ISSUANCE OF CREDIT DEBT OBLIGATIONS (CDO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
</tr>
<tr>
<td>(million dollars)</td>
</tr>
<tr>
<td>UNDERLYING GUARANTEES</td>
</tr>
<tr>
<td>High Yield Loans</td>
</tr>
<tr>
<td>Investment Grade Bonds</td>
</tr>
<tr>
<td>High Yield Bonds</td>
</tr>
<tr>
<td>Structured Finances</td>
</tr>
<tr>
<td>Mixed Guarantees</td>
</tr>
<tr>
<td>Other Swaps</td>
</tr>
<tr>
<td>Others</td>
</tr>
</tbody>
</table>

The previous security group was highly profitable and generated important income volumes. Rating agencies classified these securities as non-risk paper, without considering the possibility that the prices of the underlying assets, housing, could drop and consequently, borrowers would stop paying.

Low quality loans (sub prime) were commingled with others of a different quality, that is, were integrated into structured financial products. Lastly, investors were unable to make out the true risk degree of resulting products.

As a result of the fall in housing prices in 2007 and the uprising interest rate which was perceived since 2005, the default rate of sub prime loans was increasing steadily. The AAA (no risk) rating given by agencies to bonds secured by these loans could no longer be sustained.

On July 2007, rating agencies announced they would be downgrading some kind of bonds linked to sub prime loans. Moodys downgraded 399 bonds which had a value of 5.2 billion dollars. Likewise, Standard&Poors downgraded bonds for a value of 12 billion dollars. At the same time, the rating agency announced that the criteria to value said bonds would become more stringent. Here is where the euphoria ends and the phase of rejection of such securities begins.

As on November 2006, the ABX index was published. Such measure reflected the risk weighting of different tranches comprised in residential mortgage bonds. It was an indicator of default possibility of mortgage loan agreements and, therefore, of the value of sub prime mortgages. Deterioration in the value of bonds went on until February 2009. The following graph is an example of one of those tranches.

**ABX.HE. Index (Closing Prices)**

Source: [www.markit.com](http://www.markit.com)

After the sudden announcement of the bond downgrading and the change of valuation criteria, investors lost credibility on rating agencies. As a result, the stock exchange collapse and the loan suspension in inter-bank markets began as in August 2007. Financial panic had sharply struck.

The suspension of inter-bank loans occurred because the banks themselves had no reliable information on the value of their own assets, or of those of their counterparts. The opaqueness of these assets led to a loss of confidence to grant loans to the possessors thereof in the global stock market.

There is an index which provides an idea of the panic experienced in the markets in those days. It is called the “fear index”, because it measures the additional premium over the average which has to be paid for assets that are currently perceived as a greater risk. This is the VIX index.
Financial institutions which were adversely affected are those that followed the business model of solving their liquidity needs through short term loans, providing long term loans using structured financial products derived from the bond group of the shadow banking system.

Upon the sudden suspension of credit flow, these institutions could not survive by themselves; therefore, they had to request the aid of the lender of last resort, the central bank. These banks were either absorbed by other institutions or closed down.

Methodological Problems in Derivative Calculation Techniques

Several aspects which play a crucial role in the current crisis occurred when sub prime mortgage loans became stock market securities. The first one is the evident appearance of information asymmetry available about risk of loans that had been granted. While real estate agents and regional bank managers were well aware of the low payment capacity of those who received said loans, purchasers and sellers of derivatives operating in the stock market did not have truthful information that could shed a light on the reliability of securities being traded. Agencies’ ratings were their only point of reference.

Allegedly, the acquisition of an insurance policy by a creditor bank, guarantees the recovery of the money lent. Next, the first insurance company also purchases an insurance policy to protect itself from the danger implicit in facing the loan which it would have to pay if the house buyer defaults. The second insurance company acquires an insurance policy which offers to a third one and so on. Generating in turn, a paper chain that only rests on one house as collateral\(^\text{viii}\).

These insurance policies are traded as if they were interchangeable securities of a different origin. To set the price of such securities, a mathematical procedure known as the Black-Scholes differential equation is used. This is the second important aspect in the generation of the current crisis.

This mathematical focus begins by postulating that a basic stock changes its price with time, according to a law known as Brownian geometric movement, that is, if its price is \(S\), then \(dS\) changes in a \(dt\) time interval, are brought about by the following equation

\[
dS = \mu S dt + \sigma S dz
\]

where \(dS\) is the trend (ascending or descending) of the value at a time, \(t\) and \(\sigma S\) is the square root of the mean magnitude of the random oscillations square (standard deviation or volatility). The expression \(dz\) is a random increase whose statistical properties are postulated. It is Wiener-Einstein process which is well known in physics and mathematics.

Some bonds are exchanged for other as follows: if \(f\) (a derivative) is the price of another stock that depends on the price of \(S\), Ito’s stochastic calculation theorem, is used, which is a mathematical assertion that establishes that if a random variable \(x\) changes in time according to the equation

\[
dx = a(x,t) dt + b(x,t) dz
\]

then, any function \(G(x,t)\) will change pursuant to the equation

\[
dG = \left(\frac{\partial G}{\partial x} a + \frac{\partial G}{\partial t} + \frac{1}{2} b^2 \frac{\partial^2 G}{\partial x^2}\right) dt + b \frac{\partial G}{\partial x} \, dz
\]
If $x = S$, then $a(x,t) = S y$ and $b(x,t) = S$, mathematics leads to the fact that any stock whose price $f$ results from $S$, will change in time pursuant to the following equation

$$\frac{\partial f}{\partial t} + rS \frac{\partial f}{\partial S} + \frac{1}{2} \sigma^2 S^2 \frac{\partial^2 f}{\partial S^2} = rf$$

where $r$ is the risk-free interest rate. This is the Black-Scholes differential equation whose solution is known and discussed in specialized courses.

Nonetheless, the strength of this mathematical reasoning is apparent, since it is based on the assumption that price changes of securities, between two subsequent periods, are statistically independent. Furthermore, it assumes that its probability density function is a normal distribution.

On the other hand, a question on how well the geometrical Brownian movement describes financial data, arises. Posing arguments in favor, Johannes Voit resorts to an analysis of data provided by the Deustche Bank Research about daily dividends of the German DAX index. He studies a time series from 1975 to 2000. He finds that in fact, the series follow a statistical behavior which adjusts to a normal distribution.

Nonetheless, the author himself quotes a study by B. B. Mandelbrot about cotton prices in the United States during the nineteen sixties and finds that there is a noticeable difference with what is predicted by the Brownian geometrical movement. The question is whether this behavior is exclusive of cotton or it applies to other commodity prices that are traded as securities.

Other probability density functions have been studied for a better adjustment to financial data. Especial attention has been paid to Levy's distributions, as well as to Pareto laws. It is well known that the price analysis based on the Black-Scholes equation is problematic; nevertheless, it has continued being used.

From a scientific point of view, the financial phenomenon is an open problem which deserves attention; there is not any theory that provides us with certain predictions. Then, why did the Black-Scholes model seem to work well for several decades?

In terms of Emmanuel Kant’s philosophical position on the theory of knowledge, the world is describable because man’s senses previously order data received from the world. In that same line of thoughts, mathematical models being used have constituted a generalized agreement among many agents that believe in the market and the existence of an equilibrium state to which prices will converge sooner or later.

In purely mathematical terms, the existence of such stationary state is not guaranteed and in physics there are uncountable examples of systems that never tend to this type of state. Then, this is a belief which can be classified as a matter of faith.

Abuse of these mathematical procedures enable to cloud the degree of risk, enhance the exchange of some securities for other, among which a 15 percent sub prime mortgage loans were included; consequently, contaminating everything; thus, generating what is colloquially known as toxic assets. The interesting issue is that banks that had introduced sub prime mortgage loans as financial assets purchased the toxic waste they had previously generated.

**Statistical Analysis of Crises**

Using time series data for each crisis, a statistical distribution analysis at the end of each panic is performed. For such a purpose, it is required to know four statistical coefficients that will be introduced below.

Each statistical indicators presents relevant information to understand crises. For instance, large kurtosis, as the one of the 1987 crisis, is a feature of random fluctuations in which the variance is due to very large, but quite infrequent, individual deviations. This suggests that random fluctuations were caused by few investors that handled large amounts of financial resources.

On the other hand, the 1929 and 2007 crises, with small kurtosis, variances were originated in many deviations that were not too large, comparatively speaking. It tells us that this is a generalized phenomenon of panic and perplexity.

Because of the fact specialists who apply mathematical models in finance, usually are based on Gaussian random processes, it is convenient to develop a deviation measure for each crisis. Such a measure must disclose the difference between the Gaussian distribution and the real data distribution. This is achieved through the following simple classification. The kurtosis is zero for a Gaussian probability density function. In addition, the kurtosis can be either positive or negative. When it is negative it is called sub Gaussian. If it is positive it is regarded as supra Gaussian. As shown below, periods of crisis always are far from being normal distributions which are usually invoked in mathematical models currently used in finance.

Another element easy to grasp is known as the asymmetry coefficient. It is a measure of distortion toward the left or right, from the center of the Gaussian curve. When it is negative, it indicates that there is a distortion toward the left, which is related to the number of investors becoming bankruptcy. When it is positive, it shows that there is a distortion to the right, which can be related to the number of investors that profit from a crisis.
For instance, a combination of a negative asymmetry coefficient with the kurtosis enables us to know if bankrupted investors are many, with relatively little capital, or few with a huge amount of capital. The same holds true for a positive asymmetry coefficient, in that case we would be facing a situation of many or few speculators who have become wealthy.

Making a comparison of the different crises periods, it is revealed that the 1987 crisis showed the greatest distortion to the right. On the other hand, the most distorted to the left, is that of 2007. Similarly, the 1929 crisis also shows a distortion toward the left. The reader may reach his own conclusions from what has been stated in the foregoing paragraph.

A set of data for each crisis was taken as a statistical phenomenon that was viewed retrospectively, that is, monthly data series of the Dow Jones industrial average are included in a calculation, according to the duration of different financial panics. The table of means, standard deviations, asymmetry coefficients, and kurtosis, resulting from the analysis is the following:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>51.36</td>
<td>70.35</td>
<td>81.95</td>
<td>76.55</td>
<td>84.82</td>
<td>77.95</td>
<td>92.34</td>
<td>88</td>
<td>83.28</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>21.91</td>
<td>8.83</td>
<td>11.01</td>
<td>14.87</td>
<td>9.77</td>
<td>6.8</td>
<td>8.62</td>
<td>7.13</td>
<td>11.18</td>
</tr>
<tr>
<td>Asymmetry Coefficient $\gamma_1$</td>
<td>0.08</td>
<td>2.19</td>
<td>-0.01</td>
<td>-0.46</td>
<td>0.18</td>
<td>2.9</td>
<td>-0.28</td>
<td>-0.49</td>
<td>-0.52</td>
</tr>
<tr>
<td>Kurtosis $\gamma_2$</td>
<td>-0.56</td>
<td>4.79</td>
<td>-1.14</td>
<td>-0.84</td>
<td>-1.15</td>
<td>9.88</td>
<td>-2.67</td>
<td>-0.47</td>
<td>-0.38</td>
</tr>
</tbody>
</table>

Source: Calculations based on the Dow Jones Industrial Average.

Once the mean, the standard deviation, the asymmetry coefficient, and the kurtosis are available, and noted respectively as:

$$\mu_1, \sigma, \gamma_1, \gamma_2$$

Then, it is straight to obtain the first four statistical moments through the following algebraic ratios:

$$\mu_1 = \mu_1, \quad \mu_2 = \sigma^2 + \mu_1^2, \quad \mu_3 = \gamma_1 \sigma^3, \quad \mu_4 = \sigma^4 (\gamma_2 + 3)$$

Upon knowing these, it is possible to calculate the first four cummulants by means of the following relationships:

$$\kappa_1 = \mu_1, \quad \kappa_2 = \sigma^2$$
$$\kappa_3 = \mu_3 - 3\mu_2 \mu_1 + 2\mu_1^3$$
$$\kappa_4 = \mu_4 - 4\mu_3 \mu_1 - 3\mu_2^2 + 12\mu_2 \mu_1^2 - 6\mu_1^4$$

Next, the Gram-Charlier A series is used. It is a way to estimate the random fluctuation probability density functions, particularly, those which occur in financial phenomena. Actually, it is a correction of the normal probability density function and it is given as follows:

$$f(y) = \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{y^2}{2\sigma^2}} \left\{ 1 + \frac{\kappa_3}{3!\sigma^3} H_3(y) + \frac{\kappa_4}{4!\sigma^4} H_4(y) \right\}$$

Where:

$$y = \frac{x - \mu_1}{\sigma}$$

In the expression for the density of probabilities, the following functions appear:

$$H_3(y) = y^3 - 3y, \quad H_4(y) = y^4 - 6y^2 + 3$$

which are known as third and fourth order Hermite polynomials, respectively.

By using these statistical tools, the behavior of one of the stock market indicators of the crises is assessed. In addition, a comparative study of diverse crises is performed. Which in turn provides us with the conclusions presented below.
In chronological order, the resulting graph for the 1929 crisis is as follows:

![Graph No. 5](image)

Source: calculations based on the Dow Jones Industrial Average.

In this case, it is a curve with a negative kurtosis. Therefore, it will be classified as sub Gaussian. The small kurtosis indicates that the standard deviation was generated by a relative small number of random fluctuations.

For the 1946 crisis the following graph was found:

![Graph No. 6](image)

Source: calculations based on the Dow Jones Industrial Average.

The last one is a curve with a positive kurtosis; thus, classified as supra Gaussian. The kurtosis is considerably large; therefore, a large part of the standard deviation (width of the curve) was caused by a decreased number of very large fluctuations, that is, few, but very large fluctuations. On the other hand, an accumulation close to zero is observed, which clearly indicates an important number of bankrupted persons.

For the 1968 crisis, the following curve is obtained:

![Graph No. 7](image)

Source: calculations based on the Dow Jones Industrial Average.
It is a sub Gaussian curve; its small kurtosis shows that the width of the curve was caused by many relative small fluctuations.

In the case of the 1972 crisis, the resulting probability density is as follows:

![Graph No. 8](image)

Source: calculations based on the Dow Jones Industrial Average.

Observations are identical as in the case of the 1968 crisis.

The curve that corresponds to the 1980 crisis is shown below:

![Graph No. 9](image)

Source: calculations based on the Dow Jones Industrial Average.

It is also a sub Gaussian curve and its statistical nature is similar to those of 1929, 1968, and 1972 crises.

The 1987 crisis is quite different; its probability density is given by the curve below:

![Graph No. 10](image)

Source: calculations based on the Dow Jones Industrial Average.
The curve is supra Gaussian, with an extremely high kurtosis, which is a sign that very few large fluctuations took place into the curve’s shape. Also, what attracts our attention is the fact that there are many cases close to zero of our scale, that is, many agents with losses.

For the 1990 crisis, the resulting curve is:

![Graph No. 11](image)

Source: Own calculations based on the Dow Jones Industrial Average.

The previous graph is a sub Gaussian curve. It shows the least of all kurtosis previously shown, that is, it reveals a very large number of small fluctuations, which actually cause the extent of the width.

The 2000 crisis has the following probability density:

![Graph No. 12](image)

Source: calculations based on the Dow Jones Industrial Average.

The comments are the same as for the crises with a sub Gaussian curve described above.

The current crisis, which is just taking place, and whose probability density might be modified throughout the following months, nowadays is as follows:
Graph No. 13
Source: calculations based on the Dow Jones Industrial Average.

The data obtained up to January 2009 indicates that it is a sub Gaussian crisis in which the width is generated by many relative small fluctuations.

Conclusions
The U.S. financial crisis is result of a group of concatenated processes. Among processes that fueled the crisis are a drop in interest rates, an increase in the supply of funds by surplus countries, financial deregulation, weak supervision, the lax tax policies that furthered speculative bubbles, and the financial system that issued very risky and non-transparent derivative products.

We consider that the bottom line solution of the crisis lies on a financial reform. A more effective supervisory system is badly needed. Likewise, increases in capital requirements, when risky assets are involved, as well as a transparent scheme of security issuance, will provide us with a safety environment of market trading. This, in turn, may generate confidence for investors and recovery will be enhanced.

References
Expert Systems in Bank Disclosure

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Key words: Expert System, Knowledge Base, Communication, Reasoning

Abstract: In the specialized literature, expert systems are presented as a particular class of information programs based on artificial intelligence, having as a purpose multiplying the knowledge and the reasoning of the human experts with the help of the computer. Such a system is capable to collect and stock the expertise accumulated by experienced people and to disseminate within the company or to incorporate it in computer systems of decision assistance.

The developing of such expert systems in the credit institutions is a urgent necessity because the information volume is a very large one, the financial-accounting and operational data processing requiring the implementation of solutions based on computer technology.

The purpose of this work is to present the necessity of implementing information systems based on expert systems in banks. Because an information system based on expert systems requires considerable efforts not only in the implementation phase but especially in the exploitation and update phase we had in view the presentation of the role of communication in achieving this goal.

Taking into consideration the information explosion which we are experiencing, the manager’s role extends from assuring an appropriate management of the material, human and financial resources to the management of a new category of resources of strategic importance in maintaining the equilibrium of the company. The information is nowadays part of the economic environment, it is a resource that has to be managed in conditions of efficiency and efficacy. As any other resource, the information costs and, thus, the efficiency of obtaining it can be brought forward for discussion. Every decision centre is a “consumer” of such resources whose quality will influence the value and the proficiency of the managerial decisions. Knowing the need for information, every manager sizes the information needs according to certain criteria, chooses the information supports, the distribution channels, so that the perceived information at a certain level of decision to correspond to real information requirements for the risk about the effect of the decision in which it was taken to be minimum.

The sizing of the information volume for each level of decision so that the information to be maximum in terms of quality, content, accuracy and transmission speed, without obstructing the information channel is both the premise of informing at a minimum price and the premise of increasing the degree of sureness that the decision made will change the behaviour of the organization in order to achieve the pre-established objectives. Collecting, processing and transmitting information to its user generates certain costs and values of the information which, normally, have to be part of the equation of efficiency of the information process.

Technology is the basis of many decisions on banking activity and the banks are becoming increasingly dependent on new technologies. Effective use of technology is an integral part of bank operations and provides an essential resource for competitive banks. While new technologies have brought significant benefits to banks and their customers, they also have exposed banks to new and different risks. As the bank increases its dependence on technology to provide services and to process information, the risk of adverse operational consequences increases.
As banks continue to increase the volume of online payments for individual customers, security system can provide banks greater challenges in the future. These and other technology issues could cause financial and reputation losses, which in turn could threaten the security and stability of the institution.

The current banking practice, systems are generally used to process financial-accounting information and to support operational management decision making.

Decision support systems are essential to bank management but they involve a number of limitations in terms of providing solutions to problems that cannot be solved on the basis of algorithms.

Among the basic features of a system of decision assistance, the most important are: ease of solving problems, because the combination of reasoning decision-maker with a computer system, adaptability over time, users can add, combine, modify and delete components, access to a variety of data sources, organizational or external environment, ensuring effective decision making regarding the accuracy, quality, aim, assisting decisions on individual and group-level of decision makers, assisting decision on different managerial levels in a structure hierarchy that starts from top managers to lower levels.

During this period, due to large volume of information circulating within a bank implementation of expert systems is required to help first to provide all the necessary information, and secondly to provide an ideal framework for decision support in conditions of uncertainty.

Expert systems are products of artificial intelligence, branch of computer science that seeks to develop intelligent programs. What is remarkable for expert systems is the scope that included many fields of activity, from architecture, archeology, commerce, trade, education to engineering and medical systems.

An expert system is a program that aims to achieve group knowledge in the same way as human experts to examine the results on difficult tasks. The main feature of expert systems is derived from the knowledge base with a specific search algorithm method of reasoning. An expert system successfully treats problems for which there is not a clear algorithmic solution.

Chronologically, expert systems have formed the first applications of artificial intelligence. They emulate human reasoning for specific tasks in limited areas, too, and were very well received by companies.

Unlike most computer programs, which require complete information for decision making, expert systems are designed to find the optimum solution based on available data, as a human expert would do.

An expert system is a program consisting of two components: a broad base of data, a set of rules that search in this basis, in order to find the optimum solution for a problem. The database and the set of rules are developed by interviewing experts in the problem.

Among the tools of expert systems are considered models by which a knowledge base can be displayed, captured and represented. The main quality of computers is their ability to achieve a high speed computing. Each programming language tries to make the computer as efficient as possible in terms of computing power. In making a reasoning program they start from the idea that symbols can process numbers, text or other concepts. They are considered "natural symbols" and the computer can manipulate such symbols. A viable expert system, doubled by the work speed of a computer, can streamline a particular field of work.

An expert system consists of five components:

1) Knowledge base serves to store all the knowledge (facts, rules, methods of solving, heuristics, etc..) specific applicative domain, taken from human experts or other sources.
2) Inference engine is a program that includes control knowledge, procedural or operative, by which the knowledge base for making judgments to obtain solutions, recommendations or conclusions is exploited.
3) Dialog interface allows communication with users during the consultation sessions and users' access to facts and knowledge of basis to add or update knowledge.
4) Knowledge acquisition module helps the expert user to introduce knowledge in a form recognized by the system and to update the knowledge base.
5) Module explanation is to explain to users the knowledge available to the system and also the process of reasoning that it places or solutions obtained in consultation sessions. The explanations in such a system, when properly designed, improve the way in which the user perceives and accepts the system.

On the conceptual viewpoint, expert systems regard the reconstruction of the human reasoning on the expertise obtained from the experts. They have the knowledge and ability to conduct human intellectual activities and are organized for the acquisition and exploitation of knowledge in a particular field named problem field.

Characteristic to expert systems is that they have invoke models of knowledge and expertise expression behaving as an "intelligent system", with the basic principle of separation of knowledge from the program that treats it.

At the same time, great importance is that they are able to memorize knowledge, to establish links between knowledge, to draw conclusions, to propose solutions, recommendations and to determine the causes of some phenomena.

The efficiency of information systems is dependent on a range of factors such as: (1) clear responsibilities and reporting lines, particularly in relation to the client using information systems and (2) use of management technology for managing the interface between the Bank's work and information systems.
Given the very rapid technological change, the Bank vitally depends on the quality of information resources. The control of information systems requires a separation of responsibilities between development activities and those of implementation, and establishes a real and effective governance structures such committees CIO.

In practice, the bank can implement a computer system either by purchasing from an external provider or through its development within the organization. The choice of the optimal solution is subject to costs, the risks caused by technological change and internal risks of the organization.

In this regard, the bank must have ways to assess the feasibility of the project, approval process and prioritization of business projects and computer ones, well trained staff for project management, procedures for monitoring project implementation stage.

The implementations of computer systems mean significant risks of distribution systems and implementation that may cause major disruptions to current operations of the bank. The implementation of new systems must be integrated into the bank, and changes to systems and business environment must be managed prudently.

Successful implementations typically have a number of common characteristics:

- business requirements are expressed clearly at the outset;
- benefits for the Bank's work are visible since the installation of the system;
- project or system is financed right from the Bank's work;
- the project has a set term that is respected from the initiation and continuing with the design, development, testing and finally implementation;
- providers involved are analyzed prudently, the bank keeping the responsibility of change management;
- aspects of organization change are taken into account as part of the project and include staff training.

Security risk is the great concern related to information systems for regulatory authorities worldwide. While new technologies such as e-banking have improved liaison between the bank and its customers, they have also created new opportunities for hackers to take fraud and bank customers. Thus, banks should incorporate a security risk to infrastructure computer systems.

The characteristics that need to be revised to secure the implemented computer system relate to:

- distributed security policy;
- security resources of information systems;
- effective reporting of security incidents and responsibility for their development;
- the application of information systems security policies;
- how to apply strict standards for end users;
- clear approach of management viruses;

Against this background of support and favorable conditions to promote the field of implementing security systems of information technology, banks may adopt different strategies of development:

- Making complex products, of a wider interest in the use, based on their research and development and within some costly projects, but with a high added value;
- Making products and services tailored to the needs of beneficiaries, after the review carried with them;
- Making products through widespread solutions derived from prior experience, by what might be called "services processed to products", which meet the current demand of a client;
- Making and developing applications based on technologies and new guidelines that result from its research or capitalized from research-development institutions with lower costs, if the research-development was supported by government programs.

Since the bank operates in a knowledge society, it is necessary to guide it towards the implementation of complex computer systems capable of providing solutions based on both algorithms and information which support decisions based on uncertainty.

The greatest problem in implementing such a system is to be the communication between stakeholders in determining needs, analyzing requirements and opportunities offered by the information technology on the market. These requirements are mandatory for both the phase of adoption of information systems and especially in the operational phase and its management.

More broadly, communication refers to the fact that a system, meaning a source, affects another system in case a recipient, by means of alternative signals that can be transmitted through the channel connecting them.

From a scientific viewpoint, the act of communication is the process of transmitting information and feelings (ideas, opinions, attitudes, opinions) from one individual to another individual or from a social group to another social group.

In an expert system, communication is an orchestra without a conductor, in which each interacts with all and all interact with each other, and this process of continuous interaction creates social reality, which is a
socio-communicational reality. It is an illusion to believe that there is one reality: the reality is of the order to
assign meaning, which is the product of human interactions and communication.

In a credit institution, because of the multitude of economic variables used in the operational
process, there is lack of effective communication in the sense that the same words have different meanings
for distinguished speakers as: training, experience, emotional states, and feelings. They can cause distortion
of the message and can lead to the formation of preconceived ideas or influence receptivity.

The main role of expert systems in operational and strategic management of a credit institution
derives first from finding algorithmic solutions to problems, and secondly to provide expertise gained over
time to support decision making. Expert systems cannot be implemented, though, operated and maintained
in the absence of communication process, a process which requires the following components:

- **Issuer (source).** It is any member of the credit institution or its customer who has information, ideas,
intentions and objectives regarding its activity. This makes the message, selects language, the receiver
(consignee) and means of communication. Although it has an important role in initiating communication, it
cannot fully control the whole process.

- **Receiver (recipient).** It is a member of the credit institution or a customer to whom it is intended the
message. The importance of a receiver in communication is not smaller than the issuer’s. In practice it is
found that participants in the decision process, depending on the hierarchical level on which they stand, are
tempted to regard the reception of the messages to be automatically and their role is to transmit and not to
receive. In fact, listening is as important as speaking, reading is no less important than writing, expert
systems offering this possibility.

- **Communication channels.** These are routes on which the messages circulate. According to their
degree of formalization, they can be:
  - **Official or formal channels,** overlapping organizational relationships. They convey
    information between stations, departments and hierarchical levels. The effectiveness of
    communication depends on the way of functioning of these channels. The occurrence of
    frequent bottlenecks at certain points indicates the need for reviewing or investigating the
    work climate, interpersonal relations.
  - **Unofficial or informal channels.** They are generated by the informal organization. They
    provide additional ways of communication that enable messages to penetrate the official
    channels. Overcoming barriers related to status and hierarchy the informal channels network
    can convey news, information, faster than formal channels.

An effective communication process based on expert systems requires consideration of both
types of channels.

- **Means of communication.** They make up the technical support of communication. Their
contribution is visible in the direction of vehicular speed, accuracy and communication cost. There are a
variety of means that can be used: “face to face” discussions, telephone conversations, letters / memoranda,
written documents, digital documents, mail “voice” (voice-mail), electronic mail (e-mail), telex and fax,
combining audio and video teleconferencing equipment, computer networks, video and closed circuit
television.

The basic problem facing the organization in this area is that of expediency and efficiency of
investment, knowing that communication technologies are the most marked change of pace. Furthermore
the legal framework and market conditions in which the credit institution is operating are in a continuous
dynamic content, which requires continuous updating of algorithms and information processing embedded in
expert systems.

To highlight the role of expert systems in communication necessary for approval of credit by a bank
we propose the following solution:

<table>
<thead>
<tr>
<th>Step I - Introduction to financial data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Balance December 31, 2007</td>
</tr>
<tr>
<td>2 Inventories</td>
</tr>
<tr>
<td>3 Net turnover</td>
</tr>
<tr>
<td>4 Balance June 30, 2009</td>
</tr>
<tr>
<td>5 Stocks</td>
</tr>
<tr>
<td><strong>6</strong> Balance December 31, 2008</td>
</tr>
<tr>
<td>7 Assets</td>
</tr>
<tr>
<td>8 Debts to be paid in a period of up to a year</td>
</tr>
<tr>
<td>9 Equity</td>
</tr>
<tr>
<td>10 Assets</td>
</tr>
<tr>
<td>11 Expenditure in advance</td>
</tr>
<tr>
<td>12 Net result of financial year - Profit</td>
</tr>
<tr>
<td>Step II – Obtaining financial indicators</td>
</tr>
<tr>
<td>-----------------------------------------</td>
</tr>
<tr>
<td><strong>Scoring</strong></td>
</tr>
<tr>
<td><strong>Quantitative factors 40%</strong></td>
</tr>
<tr>
<td>- Liquidity 0.85</td>
</tr>
<tr>
<td>- equity ratio 27%</td>
</tr>
<tr>
<td>- Interest coverage 269</td>
</tr>
<tr>
<td>- profitability 1.67%</td>
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<tr>
<td><strong>Step III - Non-financial data input</strong></td>
</tr>
<tr>
<td><strong>Qualitative factors 60%</strong></td>
</tr>
<tr>
<td>- shareholders experience Shareholders are not actively involved in company activities</td>
</tr>
<tr>
<td>- management experience Company management has no experience in activities funded by 2 years.</td>
</tr>
<tr>
<td>- market conditions Declining (agriculture, cultural, sports &amp; fun), non-profit, unknown</td>
</tr>
<tr>
<td><strong>Step IV - Setting pre-scoring</strong></td>
</tr>
<tr>
<td><strong>Conditions</strong></td>
</tr>
<tr>
<td>Operating profit (RON) / last year</td>
</tr>
<tr>
<td>Branch office</td>
</tr>
<tr>
<td>Annual turnover</td>
</tr>
<tr>
<td>Experience in the field</td>
</tr>
<tr>
<td>Incidents to pay of the company - CIP</td>
</tr>
<tr>
<td>Company delays in payment appropriations-CRB</td>
</tr>
<tr>
<td>Delays in payment of shareholder loans – Unique Office</td>
</tr>
<tr>
<td>Debts to state *</td>
</tr>
<tr>
<td>Debts to state *</td>
</tr>
<tr>
<td>Conditions</td>
</tr>
<tr>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Type of activity/industry</td>
</tr>
<tr>
<td>Sales in the last 3 months</td>
</tr>
<tr>
<td>Stock rotation</td>
</tr>
</tbody>
</table>

**Step V - Determination of conditions of approval**

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Analysis Results</th>
<th>ELIGIBLE</th>
<th>NON ELIGIBLE</th>
<th>Compulsory/ Special Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (RON) / last year</td>
<td>321.221</td>
<td>-</td>
<td>Yes – with exception</td>
<td>Exception approval</td>
</tr>
<tr>
<td>Annual turnover</td>
<td>5.678.987</td>
<td>YES</td>
<td>-</td>
<td></td>
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<tr>
<td>Experience in the field</td>
<td>Experience ≥ 2 ani</td>
<td>YES</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Incidents to pay of the company - CIP</td>
<td>YES, but their are newer than 6 months for B/O or newer than 18 months for checks</td>
<td>-</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Company delays in payment appropriations - CRB</td>
<td>≤ 100 EUR (total)</td>
<td>YES</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Delays in payment of shareholder loans – Unique Office</td>
<td>251 EUR - 1,000 EUR**(equiv) total in the last 12 months</td>
<td>-</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Debts to state (&lt;10% from Actives in last annual balance sheet)*</td>
<td>0</td>
<td>YES</td>
<td>-</td>
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<tr>
<td>Debts to state when the loan application ≤ 45 days(according to the statutory declaration from the Credit Application)</td>
<td>Debts 46 - 60 zile</td>
<td>-</td>
<td>YES</td>
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<tr>
<td>Sales in the last 3 months (minimum limit &gt;-15%)</td>
<td>-7.18%</td>
<td>YES</td>
<td>-</td>
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<tr>
<td>Stock Rotation (minimum limit &gt;2)</td>
<td>3.23</td>
<td>YES</td>
<td>-</td>
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</table>

As you can see, the expert system used algorithms to calculate economic indicators of the company. On the basis of selected variants, listed in **Step III - non-financial data input** and **Step IV - Setting pre-scoring**, expert systems provided as information the eligibility conditions fulfilled or not by the customer.

All these operations were performed by back-office department of the territorial unit, and a final decision approving the loan is made by another structure which was not involved in conducting financial and non-financial analysis.

Decision approving or rejecting the request is made from data provided by expert system that communicated the results of the financial and non-financial data processing and customer’s eligibility. Expert system provides, in the same time, information in historic about the relationship with the client, further non-financial conditions and the reasons which led to the approval of loans in terms of customer’s ineligibility.

Therefore, implementation of expert systems for communication is the way in which the subordinates may be motivated and their behavior and attitude in relation to optimization of the process work can be influenced. As for the managers, such expert systems ensure the background in which the correct and useful information reaches the right place in the right time for all the efforts to be coordinated between them.

**Bibliography**


Ways to Fulfil and Finance House Buildings within the European Union Countries

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Key words: Financing buildings, financing systems, housing construction

Abstract: The paper aims to illustrate some ways of financing housing construction in the European Union by means of Jaspers (Joint Assistance to Support projects in European Regions) which provides assistance to projects whose value exceeds 25 million euros for environmental projects and 50 million euros for infrastructure projects; JESSICA (Joint European Support for Sustainable Investment in City Areas), aiming thus to create, via European funds, investment funds dedicated to urban areas, and JEREMIE (Joint European Resources for Small and Medium-sized Enterprises), a fund for financial institutions willing to provide loans for small and medium enterprises, including those in the field of housing construction.

1. Conditions for achieving housing

In the European Union housing construction is done with modern technology, it is completed in a short period of time and involves a low cost.

In proceeding to this activity, construction companies must take note of the environmental regulations imposed by European Community and also supervise the quality and safety of the construction.

Another essential element is the use of high quality materials, recast systems closings and hydro and techno insulation, polyurethane foams, etc.

2. Financing construction in the European Union

The three means used in the European Union for financing construction are Jaspers (Joint Assistance to Support Projects in European Regions), which provides assistance to projects whose value exceeds 25 million euros for environmental projects and 50 million euros for infrastructure projects; JESSICA (Joint European Support for Sustainable Investment in City Areas), which aims to create, via European funds, investment funds dedicated to urban areas, and JEREMIE (Joint European Resources for Small and Medium-sized Enterprises), funding for financial institutions willing to provide loans for small and medium enterprises, including those in the field of housing construction.

Furthermore, the European Community, together with the EIB and the EBRD have launched the fourth instrument of assistance in structural funds, JASMINE (Joint Action to Support Microfinance Institutions in Europe), which aims to facilitate capital raising by creating investment funds targeting micro-enterprise development including construction companies.

JASPERS are in vedere realizarea obiectivelor din planurile de dezvoltare pentru fiecare domeniu major de interventie la nivel national. Jaspers’s objectives of development involve each area of intervention at a national level. În România se urmăresc sase domenii majore de intervenție: creșterea competitivității economice, dezvoltarea și modernizarea infrastructurii de transport, protecția mediului, dezvoltarea resurselor umane, dezvoltarea și creșterea productivității în sectorul agricol și respectiv diminuarea disparităților întraregionale. In Romania, there are six major areas of intervention: the increase in economic competitiveness, the development and upgrading of the transport infrastructure, environmental protection, human resources development, the development and productivity growth in agriculture and the reduction of intraregional disparities.
Assistance from JASPERS is provided only for transport infrastructure and environmental protection, and for each area of intervention, management authority in charge of implementation of projects financed by the Structural Funds is ministry. Across the 10 new Member States joined management authorities have called for JASPER assistance for 281 projects, submitted 57 projects currently rolling and eight projects have been approved, their value amounting to approximately one billion euros. All eight projects concern infrastructure renewal, water and sewer utilities, the Ministry of Environment acting as the managing authority. There are over 40 projects currently underway for water and sewer infrastructure, 29 projects for waste management, 3 projects for the renewal of heating systems and 4 projects for risks of natural disasters.

Jessica and Jeremie are complex instruments, which require a more thorough management of the authorities (AM), and with the help of JASPERS, THE IMPLEMENTATION OF LARGE PROJECTS IS FREELY ASSISTED BY EXPERTS FROM THE EUROPEAN COMMUNITY, EUROPEAN INVESTMENT BANK, EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT. All three instruments are intended for the 12 new UE states who joined between 2004-2007 and which, in the period 2007-2013, are benefiting from funds from the EU’s funding cohesion policy for the Member States and, moreover, is the largest financing operation made by UE Structural Funds to date, the total investment amounting to over 36% for the period 2007 – 2013.

Also, Jessica aims to help create with the help of Structural Funds granted by the EU during 2007-2013 of special purpose investment funds, the so-called Urban Development Funds (UDF), which are mainly financing projects aimed at urban infrastructure development, including public transport and water and sewer networks, restoration of cultural sites, development of office space, universities and hospitals or the construction of conventional power plants, etc.

UDF sites can be either placed under the administration of the Sovereign Fund or they can be administered in autonomously, but they remain accountable before the Managing Authority. The Fund’s requirement is for all its investments to be directed to the public. Nevertheless, the investments that an UDF can make may cover cities as well as regions or they may function at national level, depending on the competences granted.

The maximum value of such an investment fund cannot exceed 100 million, while the minimum value of foundation fund is 10 million euros.

In order to address JESSICA’s services, the management authorities must present a proof that in the operational program that they are managing there is also an urban agenda while presenting the estimated impact of using that specific tool, at the local, regional or national level. The management authorities may opt for a part of the funding received for a specific area of intervention to be distributed to such an investment fund.

So far five such agreements have been signed between the CE, BEI and BERD, the initiators of the instrument, and local authorities in three European Union Member States, namely the United Kingdom, Germany and Poland.

3. Measures to support the construction sector in Europe during the current economic and financial crisis

As housing construction suffers an unfavourable trend, UE countries are taking measures to avoid the crisis in that area. Hence, France has launched a plan to help the construction industry of France by offering interest-free loans for house renovations aimed at creating environmentally friendly doors. The French government is planning to acquire 30,000 homes at a reduced price in order to support developers.

An overview of the crisis in the United States of America which has spread worldwide is on the latest trends on the U.S. housing market, where the total property value has dropped by 1,900 billion dollars, while 11.7 million Americans now own homes whose value is less than their mortgage. Devaluations show a drop in prices by 8.4% in 2008 and it is likely that the situation will maintain in the future, causing more and more Americans not to pay their mortgages, increasing the number of abandoned houses and determining prices to fall even further.

U.S. faced with a record decrease in the number of houses built, Consequently, the number of projects has decreased by 4.5%, at a rate of 791,000 homes, compared with 828,000 in 2007, and new applications for building approvals, reflecting the future of house building, decreased by 12%, at 708,000, compared with 805,000.

The construction sector in Spain and Sweden has witnessed a drop of 24.1% and 19.8%, respectively.

Residences in the centre of the capital of the United Kingdom have devalued by 3.9%, the largest drop in prices recorded in 2008. The most expensive housing market in the world, London, has collapsed, affecting even its luxury sector.
This decline was expected, given the exorbitant price for a square meter in the top areas of the capital of Great Britain. In November 2007 a square meter cost an average of £ 4662 whereas after a year, a square meter was £ 510 cheaper, up to £ 4152.

There is no prospected return of the residential market in the near future and only lower prices will lead to new transactions. Real – estate analysts consider that the period the London’s top housing segment is experiencing will lead to the forming of a realistic purchase price.

Depending on the source of funding, the housing development issue has two important aspects: a first aspect depends on their means of budget financing and refers to social housing needs and the infrastructure improvement, while the second relies on the existence of institutions and financial mechanisms to contribute to long-term development of houses.

A home financing system which takes into account market conditions, engages private sector resources to ensure the habitation.

The EU has no housing policy competences but has an impact on the housing sectors in each Member State.

Therefore, in terms of the housing finance system and taxation, there are already significant efforts being made to integrate a common mortgage loan market in Europe, this representing in the eyes of the EU a vital step towards a successful integration of the retail financial market.

The legislation refers to property rights, the recording of mortgages, the implementation and repossession procedures, subsidies and fiscal facilities, the assessment standards, etc.

The sources for financing housing construction are generated from bank deposits and savings institutions that remain the best source for housing financing, collective savings contracts, common in Germany, Austria and France and long-term savings contracts such as life insurance and pension funds, with an important increase due to the development of privately managed pension funds privately managed.

Other lending institutions may collect their funds for granting of mortgages by selling credits to institutions or directly to investors.

In recent years, commercial banks have become important suppliers of funds for housing and their market share increased in France and Spain as a result of improved regulation and reduction of the advantages granted to mortgage banks. In Germany, there are banks that collect deposits for residential mortgage housing: savings banks owned by the state, credit mutual funds, large commercial banks and regional banks, accounting for about 63% of the housing loans.

On the other hand, the governments need to know the direct and indirect effects different financing systems exert on the housing market and national economy, in order to take decisions on the evolution of the most adequate financing.

Every decision should be based on economic conditions specific to the financial and housing sector but also the potential costs to bear.

Housing financing systems require an agreement on the interest rates, the construction costs, the stability of financial flows associated with the interest payments, budget deficits, debt and low inflation rates. All governments get involved in developing their sector housing construction, thus affecting demand and offer on the market.

The Government can act by modifying the legal and regulatory framework, by providing preferential treatment for mortgage bonds, by changing prudential regulations over the banking system or by providing low risk mortgage assets.

Governments may get involved directly in the financial sector through the establishment of public agencies specialized in supporting or providing access to financing for housing. Some countries are subsidizing the loan payments for housing loans through mortgage interest deduction from income taxation.

Consequently, the annual income tax diminishes with the actual or part of the interest paid, encouraging the mortgage use by middle-income population.

It is operable in the EU and the USA.

To encourage housing construction, public assurances or guarantees are given to mitigate the primary market’s risk, totally or partially covering the credit risk of private borrowers, encouraging mortgage loans. This method is typical in some countries like Canada, USA, and the Baltic states.

According to the funding sources, in the German practice there exists two fundamental models of financing house building:

a) models based upon banking deposits;

b) models based upon the attraction of resources from the market.

The first model is considered and it is the most spread, is based upon the settling of banking deposits. At the level of the European Union, about 62 %of the mortgage loans are financed by means of banking deposits attracted from the population.

The financing of house building constructions by means of Contract Savings for Housing implies a contract closed by a physical person by means of which this one undertakes to make pre-established
deposits of values for a period of 4-5 years or even more in exchange of the Savings Bank engagement to grant the mortgage loan specified in the contract, at the end of the settled period of saving.

There some disadvantages of the schemas of Baupaaarkassen type, in the sense that on long term, these programs are not sufficiently flexible when they are confronting with changes of the economic environment. In order to attract a satisfying number of beneficiaries, these programs are depending upon important government subsidies that have attained levels between 1 and 5 % of the state budgets.

b) Mobilizing of the sources necessary for the mortgage loans on the capital market is done by issuing mortgage bonds and of mortgage backed securities.

Mortgage bonds are titles issued by the credit institutions which are secured with mortgage assets or in some countries, with public loans, which remain within the balance-sheet of the issuing person. According to this directive, the mortgage bonds should be issued by credit institutions based upon some legal provisions or offering protection to the investors holding them and should ensure a sufficient cover of the financial bonds during the whole period of time, should give a privilege to the holders in case of bankruptcy of the issuing person versus other categories of creditors.

Finland is recognized for its outstanding results in the field constructions, the realisation of constructions taking place upon a national program entitled "Ecological technology for the field of construction" having as a strategic objective the execution of "responsible" constructions in function of the environment.

Upon these concepts the construction industry in Finland obtain high efficiency in using the energy resources and the houses have a longer period of life. At the same time all other polluting factors in the field are diminished and there is also an economy in the field of the natural resources and in recycling materials.

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Tourism Current
Developments in Romania

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Key words: tourist activity, tourist flow, extension.

Abstract: Tourism is create value added and employment in host countries and can contribute to a better knowledge of the country or improve its image. On the other side, the question increasingly often is whether the tourism develops durable. Tourism has got good development resources in Romania and the recent history comes to prove it. There is also enough criticism of the current development of this sector. Unfortunately, much of this criticism still bases on a several decade long myth, instead of realities. And this is the idea of the „so beautiful country”, of which’s beautifulness is not properly put into value by incompetent managers, decision-makers and politicians. In reality, the Romanian tourism is, first, overpassed by othercountry’s industries in a healthy context of modern economic development. Second, it keeps a strong summer-season orientation making it less competitive against neighbouring tourist areas like the ones of the Adriatic and Mediterranean seas. Third, the tourist activity faces serious limits of extension, when demand does not exceed supply on a very market oriented activity (as tourism is, by its nature), so the investment risk degree stays high enough. Finally, tourism as as market oriented, as seasonal and risky as agriculture, and Romania could not afford political priorities on such a sector.

The primary and secondary economic sectors are able to keep a unique classification as international, basing on the same final good items, the third sector was born and developed in diverse ways in different countries.

The other aspect of the service sector, as resulting from our below developed statistics, consists in the distinction between the domestic (home) market and the foreign tourists flows, as not only for the specific economic openness, but equally for the specific linkage between these two. Moreover, the two classifications differentiation also devolves from the criterion of assimilation of some service components to the export-import activities. Or, there is a true graduality on this, here including that some services remain hundred percent afferent to the home market and miss any foreign (export-import) flow.

1. The service sector and tourism component

Tables 1, 2 and 3 clarify some facts related to what happened inside the service sector in the 1999-2004 interval in both the home market (Tables 1 and 2) and foreign flows (Table 3). To be so noticed that this sector strenghtens its weight in the economy in the twothousands, but this is the world-wide trend, here including the eastern European economies (Table 1).

Then, some service sector components perform growth rates over the GDP corresponding average rate (4.3% a year). This is about financial intermediations, real estate and services festinated to firms. Other services just keep on the general pace: see transportation and storage, communications and even public administration services. Finally, there are services growing under the GDP growing rate and this is the tourism case (Table 2). Another aspect consists in the backward and modest evolving of the same service sector on the foreign economic activity of Romania, as compared even to the corresponding situation on the home market (Table 3). Let us equally notice that tourism stay on both GDP (Table 1) and foreign flows (foreign trade/ Table 3, only for 2007 and 2008) at negligible and comparable level ratios, meaning about
2%. As for tourism, once more, its behaviour is rather similar on home and foreign areas, which looks rather special, as related to the whole service sector. Then, let us notice that the same tourism activity had a specific external balance of flows deficit before 2009, whereas this year meant an interesting reversal tendency: payments from foreign tourists overpasses the ones of Romanians traveling abroad.

Table 1

<table>
<thead>
<tr>
<th>Capitol</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
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<td>100.0</td>
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*Hotels & restaurants


Table 2

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Table 3

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</thead>
<tbody>
<tr>
<td>Total of the EBP, of which:</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Current account, of which:</td>
<td>60.4</td>
<td>65.0</td>
<td>105.4</td>
<td>47.5</td>
</tr>
<tr>
<td>Exports-imports</td>
<td>51.6</td>
<td>58.1</td>
<td>114.4</td>
<td>39.3</td>
</tr>
<tr>
<td>Services, of which:</td>
<td>6.9</td>
<td>6.6</td>
<td>4.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Tourism</td>
<td>1.0</td>
<td>0.9</td>
<td>0.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Capital &amp; financial account, of which:</td>
<td>37.6</td>
<td>24.8</td>
<td>-87.1</td>
<td>50.2</td>
</tr>
<tr>
<td>Direct investments, of which:</td>
<td>15.6</td>
<td>3.1</td>
<td>-106.0</td>
<td>9.9</td>
</tr>
<tr>
<td>FDI</td>
<td>15.6</td>
<td>3.0</td>
<td>-107.1</td>
<td>9.7</td>
</tr>
<tr>
<td>DIA</td>
<td>0.0</td>
<td>0.1</td>
<td>1.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Reserves</td>
<td>0.0</td>
<td>10.3</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Errors &amp; Omissions</td>
<td>2.1</td>
<td>0.0</td>
<td>-18.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>


2. Particularities of tourism and evaluation difficulties

As for the tourist demand side, this also includes Romanian tourists preferring services from abroad, meaning from the home tourist supply. As for the last, it limits to the accommodation in the domestic areas, so skips Romanians traveling abroad, but includes foreign tourists as a pale compensation of it.
Nevertheless, most of the foreign tourist flow into Romania keeps also skipped by the home supply. Tourism acts similarly to other economic sectors as for sharing between the home and international markets, but even more obviously.

Then, tourism has its own incomes and costs, this way its own ration in the GDP, but its real contribution to the total economic activity and growth stays less computable on both the home and foreign economic sides. It is specifically difficult, on the demand side, to assess the whole amount spent by tourists in favour of several other industries. This is the same on the supply side: other industries support tourism through a complexity of services, facilities and collateral activities.

It is similarly difficult to accurately assess the amounts brought by foreign tourists in Romania or the real export level of some other industries, plus afferent and connected services directly engendered by them. But this is the same as related to the Romanian tourists abroad. Actually, the specific tourist component of the external balance of payments (EBP) contains only a minimum payment for individual tourist, situation which increases the information and comparison gap between the home and foreign tourism parts, as for different denominators of the two sides.

As in one word, the home tourism evaluation is chronically missing the total tourists’ amount spent during their staying, whereas the foreign tourism evaluation is missing even more. Nevertheless, whereas demand and supply in tourism equally keep different denominators, there might be considered a kind of compensation of this discrepancy. This is the used accommodation space ratio by individual tourists, as a demand-supply expression number. Certainly, this is partial, as referring to the home supply and related demand.

Finally, let us notice that the tourism evaluation difficulties comes exclusively on the money value side, meaning costs, incomes, ratios in GDP and the total service sector and so on. It is different considering the evaluations in real terms, meaning individual tourists, their staying areas of destination and even the specific external balance of tourists – as considering the number of Romanians traveling abroad in exchange of one foreigner into Romania. Though, evaluations keep imperfections on this side as well. As for instance, they skip the income differences among individual tourists. Then, in Romania foreign tourists, despite their significant number, mostly skip the home supply structures etc.

3. A view on the home tourism

Let us then try to fight the above mentioned difficulties of evaluation and so have an outline of the tourism evolving during the recent years. Table 4 continues the data of the above tables, as for the tourism part on the total Romanian economy. Table 5 deepens the numbers and values of tourism.

<table>
<thead>
<tr>
<th>Tourism</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Yearly average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight of the tourist activity in:</td>
<td>GDP</td>
<td>Service sector</td>
<td>Investments</td>
<td>EBP*</td>
<td>Growth (absolute ratio)</td>
<td>GDP growth (overall)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>2.4</td>
<td>5.5</td>
<td>0.5</td>
<td>...</td>
<td>-2.5</td>
<td>-2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>2.1</td>
<td>5.3</td>
<td>1.3</td>
<td>...</td>
<td>1.0</td>
<td>5.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>2.1</td>
<td>5.0</td>
<td>1.2</td>
<td>...</td>
<td>7.6</td>
<td>5.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>1.9</td>
<td>3.8</td>
<td>1.4</td>
<td>...</td>
<td>2.1</td>
<td>5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>1.9</td>
<td>4.0</td>
<td>1.7</td>
<td>...</td>
<td>5.9</td>
<td>8.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>2.1</td>
<td>4.9</td>
<td>1.3</td>
<td>0.6</td>
<td>1.8</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The EBP sold was negative in 2007, so was the tourist activity sold, whereas in the next 2008 the tourist activity sold became positive, as compared to the chronically EBP sold


So, the weight of tourism in GDP diminished, whereas it doubled its incomes (see, its specific demand) and tripled its investments, at least in terms of the US dollars terms. The Romanian tourism is rather far from a so-called decline, claimed by some media.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Evaluated in</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incomes</td>
<td>Billions of ROL, current prices</td>
<td>13686</td>
<td>19042</td>
<td>24590</td>
<td>32338</td>
<td>37357</td>
<td>45803</td>
</tr>
<tr>
<td>Investments</td>
<td>Billions of ROL, current prices</td>
<td>1186</td>
<td>1098</td>
<td>2747</td>
<td>3315</td>
<td>4815</td>
<td>7504</td>
</tr>
<tr>
<td>Incomes</td>
<td>Millions of US$</td>
<td>750</td>
<td>734</td>
<td>778</td>
<td>965</td>
<td>1146</td>
<td>1576</td>
</tr>
<tr>
<td>Investments</td>
<td>Millions of US$</td>
<td>65</td>
<td>42</td>
<td>87</td>
<td>99</td>
<td>148</td>
<td>258</td>
</tr>
<tr>
<td>Tourists</td>
<td>Thousands (arrived)</td>
<td>5109</td>
<td>4920</td>
<td>4875</td>
<td>4847</td>
<td>5057</td>
<td>5639</td>
</tr>
<tr>
<td>Incomes on US$ /individual</td>
<td>147</td>
<td>149</td>
<td>160</td>
<td>199</td>
<td>227</td>
<td>279</td>
<td></td>
</tr>
</tbody>
</table>
individual tourist, as average tourist a year

<table>
<thead>
<tr>
<th>Exchange rate ROL/US$</th>
<th>18255</th>
<th>25926</th>
<th>31597</th>
<th>33500</th>
<th>32595</th>
<th>29067</th>
</tr>
</thead>
</table>


### 4. Tourism: its demand and supply

Let us here limit to the home supply and its specific structures. Tables 6 and 7 finally put demand and supply face to face.

#### Table 6

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply (thousands of places)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total, of which:</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Hotels and motels</td>
<td>59.2</td>
<td>58.5</td>
<td>59.1</td>
<td>59.8</td>
<td>60.1</td>
<td>60.3</td>
</tr>
<tr>
<td>School and pre-school camps</td>
<td>14.6</td>
<td>14.3</td>
<td>13.9</td>
<td>12.8</td>
<td>12.0</td>
<td>10.9</td>
</tr>
<tr>
<td>Tourist villas and bungalows</td>
<td>9.3</td>
<td>8.7</td>
<td>8.4</td>
<td>7.8</td>
<td>7.8</td>
<td>7.6</td>
</tr>
<tr>
<td>Camping and houselet type units</td>
<td>11.6</td>
<td>12.6</td>
<td>12.1</td>
<td>12.6</td>
<td>12.0</td>
<td>11.3</td>
</tr>
<tr>
<td>Other structures</td>
<td>5.2</td>
<td>5.9</td>
<td>6.6</td>
<td>6.9</td>
<td>8.1</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Demand (thousands of individuals)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total, of which specifically for:</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Hotels and motels</td>
<td>82.8</td>
<td>82.3</td>
<td>82.5</td>
<td>83.3</td>
<td>82.8</td>
<td>81.3</td>
</tr>
<tr>
<td>School and pre-school camps</td>
<td>3.8</td>
<td>5.2</td>
<td>5.1</td>
<td>4.6</td>
<td>3.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Tourist villas and bungalows</td>
<td>6.5</td>
<td>4.7</td>
<td>4.0</td>
<td>3.4</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Camping and houselet type units</td>
<td>2.5</td>
<td>2.5</td>
<td>2.4</td>
<td>2.2</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Other structures</td>
<td>4.5</td>
<td>5.3</td>
<td>5.9</td>
<td>6.6</td>
<td>7.8</td>
<td>9.8</td>
</tr>
</tbody>
</table>


The resulted ratio of used accommodation spaces is 1/3 for Romania, as rather constant since before the year 2004. But the tourist industry condition is, in such a context, neither so simple, nor due to the transition exclusively. As concretely, solutions, in their turn, do not consist in a presumable perspective of just extending the home tourist structure. Moreover, the quasi-constant ratio of used accommodation spaces (Table 7) associates with a similar evolving of the tourists’ staying average about 3.3-3.5 days (nights / Table 8).

#### Table 7

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply (thousands of places-nights)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Hotels and motels</td>
<td>71.1</td>
<td>70.0</td>
<td>69.2</td>
<td>70.8</td>
<td>71.6</td>
<td>70.5</td>
</tr>
<tr>
<td>School and pre-school camps</td>
<td>10.2</td>
<td>11.0</td>
<td>11.6</td>
<td>10.1</td>
<td>8.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Tourist villas and bungalows</td>
<td>6.2</td>
<td>5.6</td>
<td>5.4</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Camping and houselet type units</td>
<td>5.6</td>
<td>5.6</td>
<td>5.4</td>
<td>5.8</td>
<td>4.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Other structures</td>
<td>6.9</td>
<td>7.7</td>
<td>8.5</td>
<td>8.5</td>
<td>10.0</td>
<td>12.4</td>
</tr>
<tr>
<td><strong>Demand (thousands of individuals)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Hotels and motels</td>
<td>81.2</td>
<td>82.3</td>
<td>83.1</td>
<td>84.7</td>
<td>85.2</td>
<td>84.0</td>
</tr>
<tr>
<td>School and pre-school camps</td>
<td>6.8</td>
<td>6.5</td>
<td>6.7</td>
<td>5.9</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Tourist villas and bungalows</td>
<td>7.0</td>
<td>5.8</td>
<td>5.1</td>
<td>4.1</td>
<td>3.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Camping and houselet type units</td>
<td>2.4</td>
<td>2.3</td>
<td>1.7</td>
<td>1.7</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Other structures</td>
<td>2.6</td>
<td>3.1</td>
<td>3.3</td>
<td>3.7</td>
<td>4.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Used accommodation space ratio (%)</td>
<td>34.5</td>
<td>35.2</td>
<td>34.9</td>
<td>34.0</td>
<td>34.6</td>
<td>34.3</td>
</tr>
</tbody>
</table>


#### Table 8

<table>
<thead>
<tr>
<th>Capitol</th>
<th>Evaluation unit</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals tourists</td>
<td></td>
<td>5109</td>
<td>4920</td>
<td>4875</td>
<td>4847</td>
<td>5057</td>
<td>5639</td>
</tr>
<tr>
<td>Staying overnight tourists-nights</td>
<td></td>
<td>17670</td>
<td>17647</td>
<td>18122</td>
<td>17277</td>
<td>17845</td>
<td>18501</td>
</tr>
<tr>
<td>Average staying overnight for an individual average number of days on individual within the year</td>
<td></td>
<td>3.5</td>
<td>3.6</td>
<td>3.7</td>
<td>3.6</td>
<td>3.5</td>
<td>3.3</td>
</tr>
</tbody>
</table>
5. Investments and supply evolving in tourism

Table 9 show an encounter between investments in tourism and changes induced to the tourist supply and demand. It is obvious, as expected, the fact that investments in tourism do not exclusively result into the simple tourist place (space) extension. On the contrary, the number of places even reduced in some limited periods, so actually such investments may target other technical component of the home structures:

- modernizing the existing establishments;
- destructing the old structures, in order of replacing them by newly designed ones;
- building new infrastructures adapted to new construction strategies;
- Concomitant destruction and rebuilding individual structures and tourist stations entirely.

I just wish to emphasize here the non-extensive and so more complex circumstance of the Romanian tourist industry. When demand exceeds supply on the market, things are simple for investments, meaning for their decision and direction. On the contrary, when demand does not exceed supply – and this is the case of the Romanian tourism, in the first place – investments confront an increased and increasing risk factor, and consequently investors might seem hesitating and disoriented. The natural beauties of this country (sometimes, though, exaggerated by some patriot people) might stay far from the investors’ interest.

In the next place, not to compare the current situation with what happened in the communist regime? The investment risk in the totalitarian economy was equally real, but much more hidden, together with its afferent individual responsibilities for. In other words, there are number of useless tourist structures and facilities built at that time – and who is or was directly responsible for? I mean once more that we might criticize a lot of aspects in the today tourism, but do not forget that investments are not lower than in sixties or seventies. They might be a little more balanced and rational.

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousand of places</td>
<td>282.8</td>
<td>280.0</td>
<td>277.0</td>
<td>272.6</td>
<td>273.6</td>
<td>275.9</td>
</tr>
<tr>
<td>Thousand of places</td>
<td>-2.8</td>
<td>-3.0</td>
<td>-4.5</td>
<td>1.0</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>-0.99</td>
<td>-1.06</td>
<td>-1.61</td>
<td>0.37</td>
<td>0.85</td>
<td></td>
</tr>
<tr>
<td>Thousand of places-nights</td>
<td>51275</td>
<td>50197</td>
<td>51882</td>
<td>50752</td>
<td>51632</td>
<td>53989</td>
</tr>
<tr>
<td>Thousand of places-nights</td>
<td>-1078</td>
<td>1685</td>
<td>-1130</td>
<td>880</td>
<td>2357</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>-2.10</td>
<td>3.36</td>
<td>-2.18</td>
<td>1.73</td>
<td>4.56</td>
<td></td>
</tr>
<tr>
<td>Thousand of tourists</td>
<td>5109</td>
<td>4920</td>
<td>4875</td>
<td>50752</td>
<td>51632</td>
<td>53989</td>
</tr>
<tr>
<td>Thousand of tourists</td>
<td>-189</td>
<td>45</td>
<td>-28</td>
<td>210</td>
<td>582</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>-3.70</td>
<td>-0.91</td>
<td>-0.57</td>
<td>4.33</td>
<td>11.51</td>
<td></td>
</tr>
<tr>
<td>Thousand of tourists-nights</td>
<td>17670</td>
<td>17647</td>
<td>18122</td>
<td>17277</td>
<td>17845</td>
<td>18501</td>
</tr>
<tr>
<td>Thousand of tourists-nights</td>
<td>-23</td>
<td>475</td>
<td>-845</td>
<td>568</td>
<td>656</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>-0.13</td>
<td>2.69</td>
<td>-4.66</td>
<td>3.29</td>
<td>3.68</td>
<td></td>
</tr>
</tbody>
</table>

Table 9

Investments in tourism and corresponding changes in the tourist supply and demand throughout the 2003-2008 interval

6. Some description of the tourism

As for the foreign tourists in Romania, let us have in Table 10 their weight evolving in the domestic structures – the money evaluations are here missing, once more. Nevertheless, let us notice the positive trend after the years 2003-2004. The further results on the same tourist flows are developed in Table 11.

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousand of tourists</td>
<td>15.6</td>
<td>17.6</td>
<td>18.8</td>
<td>20.6</td>
<td>21.9</td>
<td>24.1</td>
</tr>
<tr>
<td>Thousand of tourists</td>
<td>11.2</td>
<td>12.2</td>
<td>13.2</td>
<td>14.7</td>
<td>15.5</td>
<td>18.0</td>
</tr>
</tbody>
</table>

Table 10

The foreign tourists’ weight in the domestic tourist structure in the 2003-2008 interval (% of total)

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Evaluation unit</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Yearly average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incomes</td>
<td>mil US$</td>
<td>-3.1</td>
<td>42.5</td>
<td>0.8</td>
<td>-7.5</td>
<td>18.2</td>
<td>2.5</td>
<td>8.9</td>
<td></td>
</tr>
</tbody>
</table>

Table 11

The external balance of tourists throughout the 2002-2008 interval
Let us have the foreign tourists in Romania (Figure 1) and Romanians traveling abroad (Figure 2), this time in money value terms.

So the two flows look different from each other. The foreign tourists into Romania inflow, even in value terms, look similar to the home tourism. It keeps a main “peak” in the summer season (as the domestic tourism does), but also a secondary one around the Easter feasts. Or, such an aspect, taken as correlated to the one that foreigners in the home tourist structures reduce to 22-25% of the total of the foreigners’ inflow,
helps us conclude that the foreigners traveling to Romania are not hundred percent “foreigners”, but old Romanian emigrants.

As for the Romanians traveling abroad, more exactly external payments from tourism, the situation looks different, even less conclusive.

**Concluding remarks**

Tourism in Romania has got in the specific growth period of the area after the year 2004. This is obvious in both value and real economy terms. Later on, the year 2008 even indicates a reverse trend to the previous chronically external deficit one, as correlated to the trade and current account deficits. Moreover, the weight of the home structure tourist activity comes back, as equally for a normal trend, here including an increasing number of foreign tourists.

Despite all these, tourism in Romania keeps a rather discrete development, as shadowed by the service sector, total GDP and EBP, on the foreign economic side. Plus, its so discrete development stays shadowed by old and sad myths and nostalgia of a “so beautiful country” insufficiently known by the whole world. And this is due to several causes. First, there comes an apparently indirect, but ultimately very important cause: the one that (the) other activities of GDP and the service sector seem to dispose of more growth and development resources in both Romania and other countries.

Second, the development limits of the Romanian resources seem obvious at the same, despite the so old myth of the “so beautiful country”. So, there are significant investments in tourism, despite the stationary ratio of used accommodation spaces, the latter as the demand-supply expression number. In other words, the supply was more active, whereas the demand proved sometimes confused. Finally, in all conditions, let us imagine when and how tourism would get an economic or strategic priority for Romanian. On the contrary, all Romanian governments realized that tourism cannot be a priority for Romania, as well as tourist oriented economies is rather the small and less developed economies. Plus, a presumable economic strategy based on tourism rather reminds us an old nineteenth century slogan claiming an “agricultural priority” for Romania.

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Information in Tourism

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Key words: information, market research, questionnaire

Abstract: The information concerning the tourism activity and the kind of tourism services is taken from the so-called secondary sources such as: statistic catalogues, magazines and bulletins published by the national, tourism offices or other organisms, data banks of the professional unions and of the firms specialized in market research and from the records of the tourism firms.

The information concerning the tourism activity and the kind of tourism services is taken from the so-called secondary sources such as: statistic catalogues, magazines and bulletins published by the national, tourism offices or other organisms, data banks of the professional unions and of the firms specialized in market research and from the records of the tourism firms.

Besides the existing information concerning the tourist activity and the kind of tourist services, taken from the so-called secondary sources (statistic catalogues, magazines and bulletins published by the national, tourist offices or other organisms, data banks of the professional unions and of the firms specialized in market research, the records of the tourist firms – such as the reception book, the suggestions or complaints book – the video records – or other recorded sources giving information about tourists, old market researches etc.), in market researches one uses mainly the data gathered directly, as a consequence of the special observations, experiments or enquiries.

1) The observation is a method used for collecting information which supposes a survey done by certified persons, chosen by the company (guides, receptionists, market agents etc.), about the tourists behavior, in order to notice their reactions to different variations of the level of tourism services prices, taking into account the different categories of comfort classes, hotels and restaurants made at their disposal, the physical and social ambient assured during the trips, the accommodation, the entertainment facilities etc., using some specific methods (the tourism audit, the method of mysterious tourists, the mechanic observation etc.). Thus the resulting information is relatively objective (they are not influenced by the goodwill of the investigated subjects), eliminating at the same time the stress caused by the use of other methods.

2) The experiment supposes (in addition to the direct observation) the effective intervention of the operator upon some marketing variables (the quality of services, the advertisement formulas, the promotional techniques etc), in order to notice what happens to others (the demand level, the proper market quotation, the tourists satisfaction etc.), being realized within a natural environment (directly upon the tourism market) or in the laboratory (specially delimited spaces, in which some variables may be maintained under control).

Most of the experiments are made by the help of tests, the most common being:

- Product tests, through which one aims to identify the clients reaction to different tourism products of the company;
- Name tests, done in order to find out some associations that tourists could make between the name given to a tourism product (Futuroscope, Three Fir-Trees Chalet) and the image that it suggests;
- Advertisement tests, made in order to discover the way in which tourists understand the various advertisements and their impact upon the demand, the comments which they produce;
- Market tests, through which one may observe the reaction, on an extended scale, of the market when there is a change of some variables such as the marketing mix, etc.

The use of the experiment within the tourist marketing, although difficult and expensive, is very useful.
3) The enquiry represents best the most applied way to gather information in market researches, being based upon questionnaires containing sets of questions addressed (but very rarely) to all the potential customers of different kinds of tourism products (the case of exhaustible enquiries or global enquiries) or (in many cases) to a sample group of tourists (market survey).

Taking into account the ways in which the links are realized between those making the enquiries and the persons that are invited to draw up an answer we may exemplify:

- **Direct contact enquiries or face to face**, which, although they are the most expensive, give the advantage of being best checked, the interviewed person being offered further information and details, thus being brought to a stage in which they could give the most correct answers, such as:
  - **confidential answers or individual answers**, when every tourist may freely and independently formulate (without being disturbed by the presence of other persons), the answers he appreciate as correct;
  - **group answers**, which, from the desire to minimize the expenses, supposes to address the questions simultaneously to many subjects;

- **By mail**, used when the degree of dissipation into space of the targeted subjects is great and the collection of information is not so urgent, eliminating thus the stress of the direct enquiries and reducing the costs of realizing it (offering in exchange less further details for the more sophisticated questions);
- **By telephone**, recommended in such instances when the number of enquired people is relatively small, and the same is the quantity of questions, the latter method cumulating the advantages of the two preceding methods and also eliminating their disadvantages.
- **By computer terminals** etc.

The instrument through which the information is gathered in the case of enquiries is the **questionnaire**. In order to be very efficient the questionnaire must be not very long but not very short, its dimension being very important in collecting the results. Its dimension is measured taking into account the quantity of the needed information. The questions must be well drawn up having intuition and ability in order to cover all the necessary information. At the same there must be no difficulty in giving the answer, the terms used should be simple and clear, the language and the vocabulary should be accessible to the public.

Before being applied the questionnaire should be pre-tested, to check if their able to catch the interest and the desire for collaboration from the part of the interviewed persons. If the questions are too easy to be understood they could lead to some ordinary answers (repeatable to all the persons), or they must lead to a refusal from the part of the interviewed person or some situations may occur when the answers might be incomplete and deliberately vague etc.

In order to avoid errors, questionnaires should not contain questions that are usually practiced by the specialists in marketing (as for example: "Which is the ratio of the elasticity of the demand in the case of the services practiced by your hotel during the holiday period taking into consideration your incomes?"). Such kind of questions are not very clear. There are others containing contradictory ideas such as: "Are you intending to travel to Bucovina this year in order to have the Holy Communion to the Moldovita Monastery?" At such kind of question an anti-god person, but being a fresco lover, would answer "Yes" thinking of going there not for a religious purpose but for his desire to admire the mural paintings. One must avoid drawing up question that might force the memory or the capacity of judging of the interviewed person such as: "How many times you have used our restaurant services during the last 12 years?" Un-delicate questions should also be avoided as in the example: "Are you an alcoholic?" etc.

As in all other situations, the questions that might be present in a questionnaire are:

- **Open questions**, to which one might receive an indefinite number of answers ("Which are your favourite entertainment resorts where you usually spend your holidays?");
- **Half-opened questions**, when the subject will choose a single option for the answer from among other possibilities ("Can you exemplify in which of the following tourism resorts have you spent your last vacation: 1-Mangalia; 2-Eforie Sud; 3-Neptun; 4-Mamaia; 5-Navodari.").

Another important thing for a questionnaire is its body and shape. It is recommended that it contains a **preliminary section**, in which the subjects be informed, briefly, about the scope of the questionnaire. They should understand very clearly that the questionnaire aims to improve the existing services and facilities for the complete satisfaction of the clients. The second part of the questionnaire should contain a list of questions (closed ones, opened ones, and half-opened ones). The question should follow a logical course. There should be enough gaps after each questions in order to cover the necessity of space to draw up the answer. A questionnaire will be easily accepted if the number of questions, closed or half-closed, is larger because the subjects often find difficult to draw up by themselves the answer. A questionnaire will be easier to be accepted by the addressed subject if this one has a larger number of questions for which the alternatives for an answer is large (closed or half-closed). People find it difficult in drawing up the answers all by themselves. It is easier for them to select the appropriate answer among others. The last part of the questionnaire should be reserved to **systemize the resulting information** contained in the second part, in order to be easier analyzed in future.
In many situations, the alternatives for the answers suggested by the questionnaire may embody an evaluation scale of the attitudes. For example, if the enquired person is asked to evaluate the qualitative level of the entertainment services that a tourism company offered him, such a thing may be illustrated as in the scale presented in Example 1.

<table>
<thead>
<tr>
<th>Very high</th>
<th>------</th>
<th>------</th>
<th>------</th>
<th>------</th>
<th>------</th>
<th>Very low</th>
</tr>
</thead>
</table>

Example 1. The attitudes scale

Between the maximum and minimum limits, the subjects of the enquiry may indicate, according to their appreciations, any intermediate level.

For example, if the managers of a hotel H, from a Romanian Black-Sea resort want to make a market research to see if the creation of a swimming pool is needed, the questionnaire could be as in Table 1.

Example of questionnaire

Dear client,

The Hotel H in Neptun is going to build up a modern swimming pool that will be made at your disposal during the period you will be our guest. In order to take this decision, your opinions about this project would be very useful to us as they will be expressed in the following questionnaire. Please round up the answer you consider being in conformity with you opinions. We kindly thank you for your collaboration.

1. Do you usually spend your vacation period at the Romania sea-side?
   Yes / No

2. Do you agree with Neptun Resort?
   Yes / No

3. Are you familiar with our hotel?
   Yes / No

4. Having in mind our present facilities would you agree to become our client?
   Yes / No

5. In order to make up your decision of becoming our client in future, would you consider that the creation of a swimming pool would much influence this decision?
   Yes / No

6. If you really want the swimming pool, are you willing to pay an extra fee in order to use it?
   Yes / No

7. If “Yes” could you specify the limits growth for the accepted tariffs?
   Maximum level ......%
   Minimum ......%

This space should not be completed by you!

The client is interested in the idea of the new swimming pool.

The client is not interested in the idea of the new swimming pool.

The enquired subject is not our potential client.

Table 1.

The enquiries in tourism are attributed the advantage that people in general are willing to talk with pleasure about vacation and different ways of spending free time.

THE STAGES OF THE RESEARCH

As any other research, the market research in tourism supposes to go through some stages, such as:

- Formulating the theme and the work hypotheses;
- Fixing a work schedule;
- Gathering the information;
- Analyzing the information;
- Exposing the results.

1. Formulating the research theme and the work hypotheses is the stage starting the market research.

As much as the theme of the research is concerned, it should be chosen and formulated very careful because the utility of the study depends on it and also the effort in doing it. As a consequence the theme should not be very large, in order to convey to the dissipation of forces and to enlarge the costs of the research. At the same time it should not be very small in order to have the potential to cover all the aspects

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of the research. Elements that may be of real interest should not be omitted. Frequently the elaboration of the theme need some previous analyses.

Formulating the hypotheses should be accomplished with great care because on its quality lies the success or the failure of the research.

2. Fixing the work schedule constitutes a major stage, essential in realizing the whole research. Inside its framework, there exist, very well determined, the moments showing the start and the end of the actions necessary for the entire research and at the same time for each stage of it. There are also mentioned the intermediate stages. The stages of the research should follow a chronological order and there are stages that could be ruled simultaneously making use of the specific methods of the operational research and those based upon the CPM (the criticizing way) or PERT method.

3. Gathering the information is the stage in which, using the sources, the instruments and the investigation methods presented in the previous sub-chapter, the operators find the necessary informational support in order to be informed about the aimed aspects of the research, the relevance of the conclusions being important in taking the final decisions.

3. Analyzing the information may be achieved using a series of description methods, that means a simple selection of the answers formulated in the questionnaires (or of the data resulting from other sources), in determining some central values of the investigated collectivities (medium, median ones etc.), of the dispersion indicators (distance type, deviation), in the computation of some indicators and structure values etc., or in some causal models, which are in the position to render some relation of determination and subordination that exist among the marketing variables.

4. Presenting the results is a stage in which the gathered information is presenting under the form of the conclusions.

Very important for the good execution of the research is the control, a device that needs responsibility in its application. Thus there will exist a good information and a precise information and there will be a good image reflecting the costs.

Financial instruments and means of payment for the tourism services offered to foreign tourists

The counter-value of the services asked by foreign tourists coming in Romania is paid in different ways presented as follows:

I. Cash payment represents a frequent way used for paying the current services asked by the tourists. As a rule, this way of payment is used by the tourists that travel by their own. There are two forms of this type of payment:

** Foreign currency payment implies all means of payment, expressed in the currency of another country, and which may be used in international trade. The revenue in foreign currency from non-residential people in exchange for the services made at their disposal, represents a current foreign currency operation (in conformity to the article 1. from The Romanian National Bank Regulation no.3/1997 regarding the foreign currency operations) and which does not require an authorization from the part of The Romanian National Bank;

** a payment in lei obtained through the means of the foreign currency exchange houses or at the foreign currency exchange offices functioning inside the hotels being always authorized by the Romanian National Bank.

II. Credit card (the card) represents a payment instrument issued by the banks or other financial organisms,permitting the holders to purchase goods or services by means of an electronic information system, eliminating the use of cash. It is primarily used by individual tourists.

III. Travel cheque is a means of payment expressed by certain foreign currencies, issued by banks or specialized institutions, being convertible into the currency of the country in which it is necessary. It is used, as a rule for the payment of the tourism services purchased by individual tourists.

IV. The Bank transfer represents a means of payment for the purchase of the services offered by a tourism company owner to a tourist or a group of tourists, payment made by a tourism agency dealing with international contracts and to which the respective tourists have appealed for the organization of some vacations at a certain chosen destination.

The growing importance given to the process of reviving the Romanian tourism imposes a precise evaluation of the revenues obtained in this field of activity in order to see its real contribution to the national economy.1

The natural tourism potential of our country re-launches the Romanian tourism activity both on the domestic and international market. Tourism is considered as a main source for getting foreign currency, thus equilibrating to a great extent the external payment balance, a fact well demonstrated by other countries with

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1 The case study will be developed in the work for the POSDREU project „Calificări și standardizare europeană în asistență socială – EUR-AS” Contract nr. POSDRU/18/1.2/G/11966
a vocation in tourism. Launching, as a first step, the priority national programs: “The Restoring of Romanian Black-Sea Coast”, “Dracula Park”, “Europa” and “Predeal-Azuga Skiing Slope” and also “The Sea-Side Shore For All”, “Health Tourism”, and “New Year Party 2006” are but a few examples of the preoccupations of the Tourism Minister in this direction and has a main goal the revival of Romanian tourism and make it a priority activity of the national economic system.

As a start, to all these national programs there are also added a series of other priorities meant to contribute to the growth of the competitiveness of the Romanian tourism, such as: modernizing and enlarging the existing structures of accommodation and their spreading to some areas and regions with a new tourism potential or interest, improving the quality of the services but also enlarging the entertainment offers and the re-technologisation of the health treatment resorts etc. All these expect considerable financial efforts made by the tourism firm owners and by the strategic investors, but also the state should be implied in making mass-media publicity campaigns in order to promote the Romanian tourism product.

The result of these efforts is materialized in the economic achievements obtained and which may constitute a stimulus for attracting more and more domestic and foreign investors in a field which proves to be profitable. As a result, a precise illustration of the advantages offered by tourism activities should be made with a strong emphasize upon the foreign currency revenues obtained by the economic operators in this field: those acting directly in the tourism services, tourism agencies etc.

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Patient Safety. Legal and Bioethical Dimensions

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Key words: civil liability, medical personnel, malpractice, suppliers, medical services

Abstract: The medical activity of the medical personnel aims at saving the patients’ life, improving their health state etc., which are objectives that can be achieved only if the physicians are appropriately trained, at the level of the medical scientific discoveries in the field, or if they dedicate all their own and their colleagues’ skills to the patients and act cautiously and prudently.

On the contrary, if in practicing medicine the specialized personnel caused damages to the patients’ bodily integrity or even their death, because of their ignorance, neglect, imprudence, ignoring risks known at the level of the medical scientific research, the physician (medical personnel) failed to exercise their profession safely for the patient.

I. The legal nature of the liability of the specialized personnel in the medical malpractice cases

In approaching the issues regarding the legal nature of the medical professional liability, we have to start first of all from the physician-patient or patient-physician relation.

Between the specialized personnel and the patient a multitude of legal relations with certain character determined by the particularities of the medical practice are formed. These social relations were legally set by means of a series of general regulations, such as: the Constitution of Romania through which the right to life and physical and psychical integrity (article 22 paragraph 1) and the right to health protection (article 33 paragraph 1) are guaranteed.

Also, the type of social relations mentioned above are also regulated similarly by some special regulations, such as Law no. 95/2006 regarding the reform in the health field, subsequently completed (1) or Law no. 46/2006 regarding the patient’s rights protection (2).

The legal literature founded a new legal concept, that of “legal medical relation”, starting from the definition established in the specialized literature of the civil legal relation in general [1], trying to emphasize the particular character of these types of civil legal relations.

As for the above presented issues, the “medical legal relation” was defined as the social relation regulated by the legal regulation regarding the performance of the medical act by the specialized personnel in order to prevent sickening, give medical cares and treat the patients with the purpose of curing them or improving their health state, by establishing mutual rights and obligations, whose observance may be ensured, if necessary, with the help of the coercive force of the state. [2].

Considering the legal nature of the liability of the medical personnel in relation to the material and moral prejudices brought to the patient by the guilty performance of the medical act, we agree to the opinion according to which this is mixed liability [3], namely:

- a contractual liability derived from a contract, which is a legal document based on which a compulsory legal relation is formed [4] when the medical act is performed in private clinics and state medical units, free of charge or paid for, based on an agreement of medical services;
- a aquilian liability, derived from an illicit legal deed causing prejudices according to the provisions of articles 998-999 of the Civil Code, [5] when the physician caused a prejudice as a consequence of inappropriate medical care.

In regard to the current legal regulations (Law no. 95/2006) we do not share the opinion according to which the physician’s liability is special professional liability that cannot be included in neither of the forms of civil liabilities: aquilian or contractual [6].
We consider that the arguments sustaining this opinion, such as those regarding the special situation of the parties, the content of the legal relation etc. emphasize certain particularities (special conditions) in which what arises is the legal liability of the specialized personnel in the medical practice, not a distinct form of civil liability different from the established ones, contractual and aquilian.

We agree that this liability is characterized by the enhanced exigency towards the quality, promptness and efficiency of the activities carried out by professionals in the field on the one hand, and by the enhanced protection granted to the patient on the other hand, but this enhanced exigency precisely is the one shading the liability of the medical personnel as aggravated contractual or aquilian liability, in which one of the parties of the compulsory relation is the medical personnel.

I believe that the four criteria proposed to be considered in the interpretation of the legal relation between the physician and the patient (three subjective ones: the patient’s health state, the level of the scientific medical research, the material basis on which the medical act is carried out and a subjective one – the professional quality) cannot justify the consideration of the medical professional liability as a third form of the civil liability.

These four criteria can be included in the cases of civil non-liability (3), established both in the general regulations in the field (Civil Code) and the special regulations (Title XV of Law no. 95/2006), which may be decided by the court of law required to trial a cause whose object is civil liability in the cases of medical malpractice.

The acceptance of the case by the physician in the conditions expressly set out by article 652-654 of Law no. 95/2006, as well as the informed patient’s consent according to the provisions of article 649-651 of the same regulation and of the provisions of the Patient’s Law are nothing else but legal clauses, imperatively set by the law giver in the development of the contractual relations between the patient and the physician.

We can accept the idea that such a contract between the physician and the patient in the conditions expressly stipulated by the law giver is atypical, as the sick person does not pay directly to the attending physician for the medical services but through the contributions paid by the patient to the Health insurance administration.

Of course, this issue is valid as regards the medical services included in the basic package established in articles 223-230 of Law no. 95/2006 and the Frame-contract regarding the conditions for medical cares within the social health insurance system for 2009 (4).

Another argument to sustain the mixed character of the civil liability for the cases of medical malpractice is the one included in article 237 of Law no. 95/2006, according to which a series of medical services are not discounted by the Unique national social health insurance fund, and their cost is incurred by the insured person. Such services are the high-performance ones, dental cares, aesthetical corrections carried out to persons over 18 years old, some medicines, sanitary materials and transportation types, in vitro fertilization, organ and tissue transplant, except for the cases stipulated by the Frame-contract etc.

This mixed character of the civil liability for the medical malpractice will be even more emphasized when the intended system of the co-payment for the medical services comes into effect, when the insured person (patient) will pay also directly part of the price of the medical services provided by the medical personnel during medical practice.

This system is often used in the European Union area.

It is true that by the Law no. 95/2006, an entire title refers to the Civil liability of the medical personnel and of the supplier of medical, sanitary and pharmaceutical products and services (Title XV), but only once the word professional appears, namely in the definition of the malpractice notion, specifying that malpractice is the professional error (s.n.) committed in exercising the medical or the medical-pharmaceutical act that prejudices the patient, involving civil liability (s.n.) of the medical personnel and of the supplier of medical, sanitary and pharmaceutical products and services.

This entire title mentions only civil liability and not medical professional liability or, if the law giver had wanted to regulate a new form of civil liability for the medical personnel, he would have definitely done it expressly and clearly.

As it is known, one of the rules regarding the logical interpretation of texts specifies that ubi lex non distinguet nec nos distinguere debemus (where the law does not distinguish, the interpreter must not distinguish either).

I am convinced that the arguments brought in order to sustain the point of view according to which the legal nature of the liability of the specialized personnel in exercising the medical act has a mixed character (contractual or aquilian) are strong enough.

As a matter of fact, the issue of the legal nature of the medical personnel’s liability is controversial not only in the Romanian law, but also in other legal systems.

Hence, in the French doctrine, the idea of the contractual liability of the physician is mostly sustained, and some of the theoreticians sustain the idea of the professional liability of the medical personnel [7].
And the extent to which this theory of the medical professional liability as a third category of the civil liability will be imposed in the practice of the courts of law and in the doctrine could be the object of a proposal of lege ferenda, which could clarify things from the legal point of view.

II. The civil liability of the medical personnel in case of failure of fulfilling the obligation of safety for the patient. [8]

In compliance with the provisions of article 374 paragraph 3 of Law no. 95/2006, The medical decisions and resolutions will be made taking into account the patient's interest and rights, the generally accepted medical principles, the indiscrimination between patients, the respect for the human dignity, the principles of medical ethics and deontology, the concern for the patient's health and the public health.

On this line, article 375 of the same regulation mentions that with the purpose of ensuring the patient's interests in any circumstances, the medical profession is based on the physician's professional independence and freedom, as well as the right to decide on the medical resolutions.

As it can be easily deduced from the content of the articles presented herein as well as from the content of other regulations regarding the medical practice, the medical activity must be carried out observing the patient's interest and rights.

As I have mentioned before, within the legal medical relation, a series of correlative rights and obligations arise between the patient and the physician, in capacity of parties.

One of the physician's main obligations is that of ensuring safety for the patient by organizing and managing the medical care activity for his/her cure, by preventing and removing any risk of bodily harm during the entire performance of the medical act, by observing his/her right to physical and psychical health [9].

The medical practice may generate some risks resulting in bodily injury, especially the surgical and interventional activity. In such a situation, the issue of the liability for the failure to fulfill the obligation of safety for the patient arises.

Certainly, such a liability for the failure to observe the obligation of safety for the patient will be claimed only if the physician (medical personnel) – in exercising the medical act – ignored the avoidable known risks, the so-called regulated risks, namely the ones predictable as circumstances in which the risk could be known and controlled. For example, the avoidance of the administration of hepatotoxic medication to sick people with hepatic conditions.

Such risks can be avoided by completely diagnosing the patient, by carrying out all the necessary tests and through good specialty training.

The physician will surely not be held liable for the patient's safety when totally unpredictable risks appear, that have random causes, unknown even by the medical research in the case in question. For example, the incompatibility of the transplanted organ (heart) with the receiving body.

In such a case, the physician (medical personnel) is exonerated from any liability, as it is a case of force majeure.

The liability for the patient's safety may also be claimed if the physician does not assume any useful risk or when in exercising the medical act assumes a useless risk. For example, when dealing with an old person with multiple heart and hepatic conditions, a surgical intervention for a duodenal ulcer is more risky than the avoidance of the intervention.

The assumption of such a risk depends first of all on the professional competence of the physician.

I consider that it is interesting to exemplify a case of liability for the patient's safety, condemned by the European Court for Human Rights. It is Cause 31675/04 – Codarcea vs. Romania, in which the plaintiff won.

In 1963, the plaintiff was submitted to three facial surgical interventions, at the municipal clinical hospital of Târgu Mureș by a plastic surgeon, which resulted in a facial paresis of the right side of the face and numerous other sequelae, which needed long medical treatment.

In motivating its decision, the Court reminded that the aspects regarding the moral and physical integrity of some persons, their participation in medical acts that prejudice them, as well as the consent concerning these and the access to information that may allow them to assess the medical risks they are exposed to are regulations by article 8 of the European Convention for Human Rights, and obliged the Romanian state to pay euro 20,000.

As regards the determination of the legal nature of the obligation of safety for the patient, this must be emphasized in proportion to the nature of the assumed risks that caused the damaging deed.

This obligation must be circumscribed only to the assumption of controlled risk, fully justified, legitimate and useful, corresponding to the medical specialization [10].

On this line, article 642 paragraph 2 of Law no. 95/2006 mentions that the medical personnel will be civilly liable for the prejudices caused by negligence, imprudence or insufficient medical knowledge in practicing medicine through individual acts in the preventive, diagnosis procedures etc.
The same context mentions that the medical personnel will be also held liable in the event they breach the legal provisions regarding confidentiality, informed consent and the obligation of giving medical cares or when the competence limits are crosses, except in emergency cases.

In all these situations described above as well as other assimilated ones, we consider that a result obligation regarding the safety for the patient was breached, the civil liability of the physician being claimed for the risk of the medical practice in the society.

We mention that the result obligations are those in which the debtor undertakes to perform certain activity and obtain a precise, well-established result. If the foreseen result was not reached, this situation creates the presumption that the debtor was not diligent enough, so he/she was guilty.

The debtor cannot invoke, in his/her favour, in order to be exonerated from the liability, but the existence of a force majeure case or fortuity that prevented him/her from fulfilling his/her obligation [11].

The medical practice of the medical personnel aims at saving the patients’ life, improving their health state etc., which can be achieved only if the physicians have the appropriate professional formation, at the level of the medical scientific discoveries in the field, or if they dedicate all their and their colleagues’ skill to the patients and act cautiously and prudently.

On the contrary, if during the medical practice the specialized medical personnel prejudiced the patients’ bodily integrity or even caused their death, due to lack of knowledge, negligence, imprudence, the passing-by of risks known at the level of the medical scientific research, the physician (medical personnel) failed to fulfill the obligation of practicing his/her profession safely for the patient.

Unfortunately, lately there were more and more cases, which must make the medical personnel in our country more responsible.

The nature of the obligation of safety for the patient will be of means (of diligence) in the situations in which the physician proved his/her professional skill by applying the newest knowledge in the given situation, avoiding the unregulated and uncontrolled professional risks circumscribed to his/her profession.

According to the legal literature, the obligations of means (of prudence or diligence) are characterized by the fact that the debtor does not undertake the obligation of certain result, but only the obligation of making all the diligences necessary in order to obtain the wanted result and to reach certain goal.

The debtor of an obligation of means is liable for the failure to fulfill it only if the creditor proves that the debtor did not make all the efforts necessary to achieve the pursued result.

In such a case, the civil liability of the physician could be claimed if his/her culpable behaviour can be proven, in a tight connection of causality with the damaging result produced to the patient.

In conclusion, we ascertain that the medical practice involves in the quasi-totality of the situations the possibility of emergence of an unpredictable, random event that can aggravate the health state of a patient, despite all the skills, conscientiousness, professionalism and correctness of the medical personnel.

In such a situation, the failure to achieve the wanted result does not mean that the physician has not fulfilled his/her obligation of safety for the patient, so this obligation turns into an obligation of diligence (of means) and the physician will be exonerated from the liability.

The civil liability of the medical personnel may be claimed only when the patient, in capacity of creditor of the obligation of care and safety for the patient proves the fact that the physician, in practicing medicine, breached his/her obligations culpably.

Exceptionally, the physician (medical personnel)’s obligation of safety for the patient can be a result obligation, in the conditions already presented above.

Worthy of remembering is the fact that article 643 paragraph 1 of Law no. 95/2006 regulates a joint liability, meaning that all the persons involved in the medical act will be held liable in proportion to the degree of guilt of each one of them.

We also have to take into consideration the situations in which the medical personnel will not be held liable for the damages and prejudices produced in practicing medicine, others than the general ones, regulated by paragraph 2 of article 643 of Law no. 95/2006:

- when these are due to the work conditions, to the insufficient diagnosis and treatment equipment, to nosocomial infections, secondary effects, generally accepted complications and risks of the analysis methods, to the hidden flaws of the sanitary materials, medical equipment and devices, medical and sanitary substances used;

- when they act in good faith in emergency situations, in compliance with their granted competence.

III. The obligation of safety for the patient and the civil liability of the suppliers of medical services, sanitary materials, equipment, medical devices and medication

In compliance with the provisions of article 165 of Law no. 95/2006, the hospital as a public medical unit with legal status supplies medical services. The hospital is bound to ensure conditions for medical investigations, treatment, accommodation, hygiene, food and prevention of the nosocomial infections (5).

The entire hospital is liable – under the legal conditions – for the quality of the medical act, for the
observance of the conditions of accommodation, hygiene, food and prevention of the nosocomial infections, as well as by covering the prejudices caused to the patients (article 168).

In accordance with the legal provisions quoted above, article 644-648 of Law no. 95/2006 regulates the civil liability of the suppliers of medical services, sanitary materials, equipment, medical devices and medication.

According to these provisions, the public or private medical units have the capacity of suppliers of medical services and are civilly liable, according to the common law, for the prejudices produces in the activity of prevention, diagnosis or treatment, when these are consequences of:

- nosocomial infections, except for when they have an external cause that could not be controlled by the institution;
- known flaws of the medical equipment used abusively, without being repaired;
- the use of sanitary materials, medical devices, medication and sanitary substances, after the expiry of their warranty period or of their validity, as applicable;
- the acceptance of medical equipment and devices, sanitary materials, medication and sanitary substances from suppliers, without civil liability insurance in the medical field.

As regards the imperative provisions included in the legal regulations presented above, the medical practice in an environment where the hygiene and safety rules are not observed is a factor generating risks that can lead to the patients’ sickening, to the endangerment of their health state by the contamination with additional diseases, the aggravation of their state or even death.

In such circumstances, the obligation of safety for the patient is breached and the patient may claim that the medical unit or the supplier of medication, sanitary materials etc. be held liable.

In determining the civil liability in such circumstances it is enough to prove that the prejudice caused to the patient was due to the precarious conditions in which medicine was practiced. It is not necessary to prove the medical personnel’s guilt.

In this case, the civil aquilian liability for things grounded objectively on the idea of guarantee for the patients’ safety during the hospitalization related to the risks of their sickening or of the aggravation of their health state, is claimed on the person in charge with the patients’ legal safety, in compliance with the provisions with principle status of article 1000 paragraph (1) of the Civil Code (16).

According to the provisions of article 1000 paragraph 1 of the Civil Code, we are also liable for the prejudice caused by the deed of the persons for which we are held liable or by the things that are under our supervision (s.n.)

Certainly, in the interpretation of the provisions of article 1000 paragraph 1 of the Civil Code, we take into account the legal security of the object belonging to the natural person or the legal entity which has independently the power, use, management, control and supervision on the work. This security derives generally from a right representing a compulsory relation of preventing the generation of the prejudice through the mediation of work [12].

The content of the legal regulations quoted above emphasizes the situations in which civil liability of the medical units and the suppliers of sanitary materials, medical equipment etc. may be claimed.

The obligation of safety for the patient in such situations may be breached by:

a) The causing of prejudices to the patient as a consequence of the contamination of the sick person as a result of nosocomial infections.

In case the hospital does not observe the obligations of ensuring the hygiene and the optimum conditions for the medical practice, which causes a prejudice to the sick people by catching a disease or by the aggravation of the health state etc., the obligation of safety for the patient is breach and the hospital in question is held liable. The civil liability in this case is for the prejudices caused for things that are under our supervision, as per article 1000 paragraph 1, thesis 2 of the Civil Code.

Paragraph 1 of article 1376 of the New Civil Code stipulates that anyone is bound to remedy, independently from any guilt, the prejudice caused by the object under their supervision.

Such a liability will be excluded only if it is proven that all the measures of prevention of the nosocomial infections in the hospital were taken and that the infections have an external cause that could not be controlled by the institution (article 644 paragraph 1 letter a, thesis 2 of Law no 95/2006).

b) The causing of prejudices to the patients by using inappropriate devices and medical equipment.

In exercising the medical act, the specialized personnel is bound to take all the measures in order not to use defective equipment, devices, medical instruments, thus preventing the risks of using such instruments. In the event the patient is prejudiced as a consequence of the lack of security of the objects used in their activity, the legal security guard, respectively the hospital will be liable as per paragraph 1 of article 1000 of the Civil code.

c) The prejudices caused to the patient by using faulty sanitary materials, medical devices, medication and sanitary substances (with the expired warranty or validity period etc.) in exercising the medical act.

As for the medical care and assistance activity, the medical units administrate to sick people sanitary substances and products. In case the patient’s bodily integrity is damaged, as a consequence of their
inappropriate quality, the obligation of safety for the patient is breached and thus the hospital is held liable for the faulty products that have consequences on the personal health.

The liability of the hospital will be aquilian according to article 1000 of the Civil Code.

We mention that according to the provisions of article 646 of Law no. 95/2006, the public or private medical units supplying medical services and the producers of medical equipment and devices – medication substances are liable according to the civil law for the prejudices caused to patients in the prevention, diagnosis and treatment activities generated directly or indirectly by the hidden flaws (s.n.) of equipment, medical devices, medication substances and sanitary materials in the warranty/validity period.

### IV. Conclusions

In the end of this material, we conclude that:

- the liability of the specialized personnel in medical practice is (contractual or aquilian) mixed civil liability, as the culpable deed derives from a contractual relation or an illicit legal deed;
- the medical personnel’s civil liability must be claimed only for their professional error manifested through the culpable failure to fulfill their obligations in nursing the patient;
- the medical personnel’s civil liability will be excluded by proving the existence of causes other than the activity carried out, of unregulated risks, of unpredictable, exceptional and purely accidental situations that are not related to the cares given to the patient;
- we sustain the points of view expressed both in the legal literature, (18) as well as in the medical literature upon the elaboration of new legal regulations, by means of which the civil liability of medical malpractice is reconsidered, namely:
  - the approach of the medical liability in a coherent framework on a theoretical basis and with practical consistency;
  - the evaluation of the malpractice cases through mediation, not to the purpose of blaming a physician;
  - the evaluation of the malpractice claims in accordance with the opinions and recommendations of the European Council;
  - the creation of a national fund for the compensation of the victims of medical accidents due to the random unpredictable factors.

In the same context, we salute the law bill recently initiated by the College of Physicians of Romania, regarding the Insurance of the civil liability in the medical field which contains proposals of true practical value, such as the direct participation of the representatives of the insurance companies in the assessment of the prejudice, the choice for mediation services of the involved parties, including the damaged patient, during the negotiation of the prejudice value etc.

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NOTES:
(1). Published in the Official Gazette no. 372/2006, subsequently modified and completed;
(2). Law no. 46/2003 regarding the protection of the patients’ rights, published in the Official Gazette no. 51/2003;
(3). Unlike the current Civil Code, in the New Civil Code adopted by Law no. 287/2009 published in the Official Gazette no. 511/2009, the causes exonerating from liability are expressly mentioned in articles 1351-1356, among which the force majeure and the fortuity;
Severe Forms of the Offense of Murder in the Romanian Penal Code

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Key words: murder, circumstances, qualified forms, law

Abstract: Circumstances precede, accompany or succeed the crime. They should not be confused with those conditions, features, qualities, etc. prescribed by law as circumstantial evidence in the content of aggravated or mitigated form of the offenses, while the circumstances, the external data content infringement, cause not even the existence of crime, but a higher or lower social level of the deed, a greater or lesser risk to the offender.

I. Introduction

In carrying out any form of individualization of punishment, but especially in the judicial individualization an important role have all the states, situations or circumstances prior, simultaneous or subsequent in report to the moment in which the offense is committed. They reflect a greater or lower social danger or hazard to the criminal offense.

The difference between the state and circumstances is important to the operation of individuality (individualization) in terms of effects they produce on the resulting penalty.

Our personal contribution in this large field of one's criminal activity, regards an analysis of the forms of murder, as covered by the Romanian Penal Code, using six criteria: the regulatory framework as provided by law, a short characterization of the circumstances, the type of circumstance (real/personal), the types of participants possible: co-authors, instigators and / or accessories followed by an example from the local or national court's practice.

II. Analysis of the circumstances under qualified forms of the offense of murder

Regulatory framework: Art. 175 Penal Code

II.1 Text of Law:
Murder committed in any of the following circumstances:

a) with premeditation
b) of material interests
c) of the spouse or the nearest relatives
d) taking advantage of state of helplessness of the victim to defend
e) through means jeopardizing the lives of several people
f) in connection with the accomplishment of the victim’s job or public duties
g) to evade or to avoid another of the prosecution or arrest, or the execution of a sentence
h) to facilitate or conceal the commission of another crime
i) in public
Shall be punished with imprisonment from 15 to 25 years and interdiction of rights
The attempt is punishable.

II.2. Analysis of circumstances

Circumstances of Article 175 paragraph 1 point a
1. Regulatory framework: Article 175 paragraph 1 point a- with premeditation.
2. Short characterization of circumstance: Premeditation requires three conditions fulfilled: passage of
time since making the decision to commit murder and by the time of committing the offense,
conducting acts of physical training, carrying out acts of moral education, physical, to commit the
crime, consisting of mental activity of the perpetrator of reflection, for deliberation on how to commit
crime.
3. Type of circumstance: subjective personal circumstance.
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: The defendant’s acts consisting in getting his knife, the waiting to
ambush the victim and to choose where and when to commit the crime (isolated, dark place, at late
hours) are certain objective factors that cause retention of this aggravating circumstance. Possibility
of objectification in a real circumstance: Yes, if such defendants who performed training acts with
others who have known the purpose of those acts, premeditation becomes a real circumstance, and
as such is reflective of all participants. For example, the author who help’s to procure the weapon,
knowing that it will be use to commit murder, is responsible for complicity in this qualified form of the
offense of murder.

Circumstances of Article 175 paragraph 1 point b
1. Regulatory framework: Article 175 paragraph 1 point b- of material interests
2. Short characterization of circumstance: The meaning of the text is that the material interest is the
interest that the offender believes that he will make a seemingly legal way, that he will have the
advantage of law. For example, eg by the disappearance of the victim, offender inherits its assets.
Most literature considers that material interest is itself mobile and not intended to, as considered by
Valerian Ciocei, his opinion is unique but single.
3. Type of circumstance: subjective personal circumstance.
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: The defendant’s action of applying a series of blow to the victim,
thus leading to the death of the victim, because the defendant wanted to gather the crop of the
defendant’s land, was not committed of material interest.
6. Possibility of objectification in a real circumstance: No, because it regards the subjective side of the
offense, even though it is possible for all participants to work under a common interest or their
personal interest.

Circumstances of Article 175 paragraph 1 point c
1. Regulatory framework: Article 175 paragraph 1 point c- of the spouse or the nearest relatives.
2. Short characterization of circumstance: This circumstance takes into consideration the special
quality of the victim in report to the offender, that of husband or near relation. The special quality,
that of spouse must exist at the time of committing the crime. Art. 149 Penal Code shows that near
relatives are ascendants and descendants, brothers and sisters, their children, and people have
become by adoption, by law, such family.
3. Type of circumstance: personal circumstances of individuality.
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: Trying to kill the husband after the pronouncement of dissolutio
of marriage, but before the decision becomes final, constitute’s the crime of attempted murder in the
qualified form, because at the time of committing the crime, the parties had the status of spouses.
6. Possibility of objectification in a real circumstance: Yes, considering the degree of knowledge or
prevision of the participants (instigators / accomplices) regarding this special link.

Circumstances of Article 175 paragraph 1 point d

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1 Craiova Appeals Court, criminal decision nr.52/2001 in the Bulletin of jurisprudence, 2001, page 232
2 Toader T., Romanian Criminal Law: the special part, III rd edition, revised and enlarged, Ed Hâmangiu, Bucharest,
2007, page 41
3 The Supreme Court, Penal Section, decision nr.1321/1977, in V. Papadopol, M. Popovici, Alphabetic repertory of
page 283
4 Constanța Appeal Court, criminal decision nr.53/2004, in the Bulletin of jurisprudence, 2004, page 113
5 Toader T., op. cit., p. 42
6 Toader T., op. cit., p. 42

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1. Regulatory framework: Article 175 paragraph 1 point d- taking advantage of state of helplessness of the victim to defend.

2. Short characterization of circumstance: For the existence of the circumstance cumulatively two conditions must be met: the victim must be in a state of helplessness to defend, the offender must actually take advantage of the victim’s condition, committing the offense much easily.  

3. Type of circumstance: actual circumstance previous to committing the crime. It is necessary for all the participants to have known the state of helplessness of the victim.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: Leaving the victim (old woman, intoxicated) after raping her, on the field, on a cold November night, leading to the victim’s death caused by hypothermic shock, represents the qualified form of murder taking advantage of state of helplessness of the victim to defend.

6. Possibility of objectification in a real circumstance: No, because it is a real, actual circumstance by nature.

Circumstances of Article 175 paragraph 1 point e

1. Regulatory framework: Article 175 paragraph 1 point e- through means jeopardizing the lives of several people

2. Short characterization of circumstance: This circumstances relate’s to the means which, by their nature, or by the circumstance in which they are used, lead to the death of the victim, and a state of danger to the live’s of others.

3. Type of circumstance: real circumstance previous / concomitant with committing the crime.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: Firing a machine gun at the victim, in a room in which there are more people, resulting in the death of the victim, represents the qualified form of murder through means jeopardizing the lives of several people.

6. Possibility of objectification in a real circumstance: Yes, if it was known or prevised.

Circumstances of Article 175 paragraph 1 point f

1. Regulatory framework: Article 175 paragraph 1 point f- in connection with the accomplishment of the victim’s job or public duties

2. Short characterization of circumstance: This circumstance indicate’s increased dangerousness in violation of the right to life and the attribute authority vested in certain persons.

3. Type of circumstance: real circumstance previous / concomitant with committing the crime. It is necessary for all the participants to have known the special quality of the victim, quality required by law.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: The action of an intoxicated driver on not stopping when solicited by police, and accelerating the vehicle instead, and running a police-man over, is a clear example of this qualified form of the offense of murder.

6. Possibility of objectification in a real circumstance: No.

Circumstances of Article 175 paragraph 1 point g

1. Regulatory framework: Article 175 paragraph 1 point g- to evade or to avoid another of the prosecution or arrest, or the execution of a sentence

2. Short characterization of circumstance: The circumstance require the premise situation premise of the author or a third person to be in one of three situations provided alternate: prosecuted, arrested, sentenced to execution of a sentence of imprisonment.

3. Type of circumstance: subjective personal circumstance, for who is trying to evade, and for those who aid in the escape of others, is a real circumstance previous / concomitant with committing the crime if it was known or previsited

4. Types of participants possible: co-authors, instigators and / or accessories.

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1 Grigoras, V.,- Theoretical examination of Supreme’s Court practice in material circumstances leading to qualified or very severe forms of the offense of murder, in the Romanian Law Magazine, number 8/1975, page 33
2 The Supreme Justice Court, Penal Section, criminal decision number 2296/1995
3 The Supreme Court, Penal Section, criminal decision, number 97/1975, in the Romanian Law Magazine number 4/1976, page 52
6 Toader,T., op. cit., page 45
5. Example from the court’s practice: Killing a police cadet, sent to bring the defendant back for questioning does not represent a qualified form of the offense of murder, because the defendant was not under arrest, or being prosecuted.\(^1\)

6. Possibility of objectification in a real circumstance: Yes, if it was known or prevised.

Circumstances of Article 175 paragraph 1 point h

1. Regulatory framework: Article 175 paragraph 1 point h- to facilitate or conceal the commission of another crime
2. Short characterization of circumstance: The circumstance provides that murder is an offense designed and developed as a means to facilitate or conceal the commission of another crime, except the crime of murder, robbery or piracy, because according to art 176 murder in this way has a severe form.
3. Type of circumstance: subjective personal circumstances.
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: After being surprised during a robbery, the defendant killed the victim, after it refused to keep silence and threatened to turn him over to the police.\(^2\)

6. Possibility of objectification in a real circumstance: Yes, if it was known or prevised.

Circumstances of Article 175 paragraph 1 point i

1. Regulatory framework: Article 175 paragraph 1 point i- in public
2. Short characterization of circumstance: Committing a murder in public shows a more dangerous offender.
3. Type of circumstance: real circumstance concomitant with committing the crime.
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: Killing the victim in the school yard.\(^3\)

6. Possibility of objectification in a real circumstance: No.

III. Analysis of the circumstances under particularly severe forms of the offense of murder

Regulatory framework: articole 176 Penal Code

III.1 Text of Law:

Murder committed in any of the following circumstances:

a) with cruelty
b) of two or more persons
c) by a person who has committed a murder
d) to commit or conceal the commission of robbers or piracy
e) of a pregnant woman
f) of a magistrate, police, or a military policeman during or in connection with their duties or their public service
g) by a magistrate, police, or a military policeman during or in connection with their duties or their public service

is punishable with imprisonment for life or imprisonment from 15 to 25 years and interdiction of rights.

(2) The attempt is punishable.

III.2 Analysis of circumstances

Circumstances of Article 176 paragraph 1 point a

1. Regulatory framework: Article 176 paragraph 1 point a- with cruelty.
2. Short characterization of circumstance: The circumstance refers to the fact that the perpetrator intentionally uses certain means and methods of torture victim, causing strong suffering, prolonged other than those accompanying the victim’s death.
3. Type of circumstance: real circumstance previous / concomitant with committing the crime.
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: The defendants act of smashing the victims face, and so killing her, and after that abandoning her in a ditch.\(^4\)

6. Possibility of objectification in a real circumstance: Yes, if it was known or prevised.

Circumstances of Article 176 paragraph 1 point b

1. Regulatory framework: Article 176 paragraph 1 point b- of two or more persons.

\(^1\)The Supreme Court, Penal Section, criminal decision number 1280/1984, in the Romanian Law Magazine number 6/1985, page 92)

\(^2\)The Supreme Court, Penal Section, criminal decision number 1279/1989, in the Law Magazine number 9-12/1990. Page 248)

\(^3\)The Supreme Court of Justice, Penal Section, criminal decision number 3665/2004, www.csj.ro

\(^4\)Brasov Appels Court, Penal Section, criminal decision number 251/A/2003
2. Short characterization of circumstance: The circumstances relate to the result of committing the crime, namely the actual production of at least two people dead.

3. Type of circumstance: real circumstance previous / concomitant with committing the crime.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: Killing two people in the same circumstance in a short time is a very severe form of murder, but not under article 176 paragraph 1 point c.¹

6. Possibility of objectification in a real circumstance: Yes, if the purpose was known or prevised.

Circumstances of Article 176 paragraph 1 point c

1. Regulatory framework: Article 176 paragraph 1 point c- by a person who has committed a murder.

2. Short characterization of circumstance: The circumstance shows the increased dangerousness of the perpetrator as a history that shows persistence in the perpetration of the crime. Antecedent is not required by law if the offender previously committed another offense, which resulted in the death of a person, such as, for example, infanticide, killing of negligence, causing death or injury impactor, which resulted in the rape victim's death, etc.

3. Type of circumstance: personal circumstances of individuality.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: Killing two people in the same circumstance in a short time is a very severe form of murder, but not under article 176 paragraph 1 point c.¹

6. Possibility of objectification in a real circumstance: Yes, if the purpose was known or prevised.

Circumstances of Article 176 paragraph 1 point d

1. Regulatory framework: Article 176 paragraph 1 point d- to commit or conceal the commission of robbers or piracy.

2. Short characterization of circumstance: Sought to capture the particular circumstances of the offender, who must commit or conceal the perpetration of robbers or piracy.

3. Type of circumstance: subjective personal circumstance.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: After robbing the victim, the defendant kills the victim in order to hide the robbery.²

6. Possibility of objectification in a real circumstance: Yes, if the participants acted with the same purpose.

Circumstances of Article 176 paragraph 1 point e

1. Regulatory framework: Article 176 paragraph 1 point e- of a pregnant woman.

2. Short characterization of circumstance: The circumstance relates to the crime victim which is a pregnant woman.

3. Type of circumstance: subjective personal circumstances.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: Killing by the defendant of it’s concubine, woman that was bearing his child, represent’s a very severe form of murder.³

6. Possibility of objectification in a real circumstance: Yes, for applying this aggravating condition it is necessary for the state of pregnancy to be real and to be known by all participants.

Circumstances of Article 176 paragraph 1 point f

1. Regulatory framework: Article 176 paragraph 1 point f- of a magistrate, police, or on a military policeman during or in connection with their duties or their public service.

2. Short characterization of circumstance: The circumstance relates to the crime victim, which is a magistrate, police, or on a military policeman, that is legally performing their duties or public service.⁴

3. Type of circumstance: subjective personal circumstance.

4. Types of participants possible: co-authors, instigators and / or accessories.

5. Example from the court’s practice: Murdering a cop that previously was the victim off an offense to insult the victim, by the same defendant.⁵

6. Possibility of objectification in a real circumstance: Yes, if the victim’s quality was known or prevised.

Circumstances of Article 176 paragraph 1 point g

1. Regulatory framework: Article 176 paragraph 1 point g- by a magistrate, police, or a military policeman during or in connection with their duties or their public service.

2. Short characterization of circumstance: The circumstance considers the special quality of the offender, listed exhaustively in the text of the indictment. The act is committed during or in connection with the performance of the perpetrator’s duty or public service.⁶

¹ The Supreme Penal Court, Penal Section, criminal decision number 2398/1995
² The Supreme Penal Court, Penal Section, criminal decision number 2369/2000
³ The Supreme Penal Court, Penal Section, criminal decision number 2080/2007
⁴ The High Court of Cassation and Justice, Penal Section, criminal decision number 4245/2007
⁵ Toader, T., op. cit., page 54
⁶ The High Court of Cassation and Justice, Penal Section, criminal decision number 5331/2005
3. Type of circumstance: personal circumstances of individuality
4. Types of participants possible: co-authors, instigators and / or accessories.
5. Example from the court’s practice: Being a new crime introduced by Law 278/2006, there is no judicial practice.
6. Possibility of objectification in a real circumstance: No. Those who participate shall be prosecuted for other forms of murder.

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1 Toader, T., op. cit., page 54
The Government Implication in Offering Support for its Citizens in Crossing through a Crisis Period

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Key words: government, protection, rights citizens, prerogatives

Abstract: This paper wants to explain the concept of government with his different senses and to treat a real problem from Romania related to the rights of the citizens in period of crisis that are not respected and protected and what could be done in solving this complicated situation.¹

First of all I propose to elucidate the concept of government and of course how is presented in the Revision of the Romanian Constitution from 2003.

Also we will see the main prerogatives and acts to accomplish like: exercising the general management of public administration, the realization of internal policy, according to the program of government, approved by the Parliament, exercising the legislative initiative, elaborating every year the project of the state budget and the social assurance and than are approved by the Parliament, presenting the informations and documents required by the Parliament, the realization of the external policy, according to the program of government, approved by the Parliament and proposes to the President of the Republic of Romania the setting up, the abolition or the modification of classes of diplomatic missions.

Secondly we will see the most important rights of the citizens in period of crisis that are not respected like: equality in rights, the right to protection of health, work and social protection of work, standard of life, the protection of children and young people and the protection of hindrance persons.

Thirdly I present the conclusions with the solutions for this special period of crisis that affects all the citizens.

1. The concept of government

The concept of government has different senses.

Firstly, this term designates all political authorities of the state, including the Parliament.

Secondly, the same term designates all authorities that form the executive power, in other words the chief of state with the council of ministers.

At last, in another sense, the word “government” means only that part of the executive power, that is formed from ministers without the chief of state.

¹ The themes of the subject will continue in the activities with applicative character during the project “European qualifications and standardization in social assistance acronym Eur-AS” number of contract FSE POSDRU/18/1.2/G/11966, contract financed POS DRU and implemented of University “George Bacovia” from Bacau in the period 1 april 2009-31 march 2011 in partnership with University of North from Baia Mare and University “Constantin Brancoveanu” Pitesti, Centre of studies Braila.
The Romanian Constitution from 2003 uses the notion of “government” with consistency in her restricted sense. Thus article 102 (3) stipulates: “The Government is formed with the prime-minister, ministers and other members established through constitutional law”.

The idea that the government is the second mechanism of the executive power, close to the chief of state, was borned when it appeared the parliamentary regime. Truly, in comparison with the absolute monarchies and the presidential regimes, where the executive power belongs in principle completely to the chief of state and where the ministers are subordinated to him, in parliamentary regimes we have another structure that is unique: for the first time ever it happens a junction that means that for one side we have the chief of state, irresponsible politically in front of the parliament, and on the other side we have the council of ministers or government, being responsible in front of the parliament. So, the fact that through our Constitution has been established this junction of the executive, it is the sign that it has wandered from the co-ordination of the presidential regime, and to get closer, partially, to the parliamentary regime.

The Government has some prerogatives and acts to accomplish. So, the main prerogatives in internal policy are:

a) assures the realization of internal policy, according to the program of government, approved by the Parliament (art.102/1);
b) exercises the general management of public administration (art.102/1)
c) exercises the legislative initiative (art.74/1,2,3);
d) elaborates every year the project of the state budget and the social assurance and than are approved by the Parliament (art.138/2);
e) presents the informations and documents required by the Parliament (art.111)
f) to answer for the questions and interpellations formulated in Parliament by deputees and senators (art.112)
g) appoints a prefect in every district and in town of Bucharest (art.123/1)

In external policy the main prerogatives are:

a) negociates the settlement of the international conventions (art.91/1);
b) assures the realization of the external policy, according to the program of government, approved by the Parliament;
c) proposes to the President of the Republic of Romania the setting up, the abolition or the modification of classes of diplomatic missions (art.91/2);

And, of course the Government has an important act to accomplish like the one from art.108 from the Constitution: “(1) the Government adopts resolutions and orders”.

2. The rights of the citizens in period of crisis

Now that we have clarified the concept of government let’s see further the principle rights of the citizens from the Constitution of Romania that are not respected and protected in this period of crisis.

So the principle rights that are not respected are:

- equality in rights;
- the right to protection of health;
- work and social protection of work;
- standard of life;
- the protection of children and young people;
- the protection of hindrance persons.

So, we have the first right that I believe that is not respected - equality in rights stipulated in art.16 (1) from Constitution of Romania: “Citizens are equally in face of law and public authorities, without favours and discrimination”.

It seems that citizens in Romania are not equally in face of law and we see this every day. In the last year we have seen how a lot of people remained without a job and the government is not interested in finding real solutions to protect this people. The situation is critical because people don’t have money to support their families.

Another right that is not protected by government is the right to protection of health. Article 34 stipulates that (1) “The right to protection of health is guaranteed “and (2) “The state is obliged to take measures to assure the hygiene and the public health”.

Well, it seems that this is not happening and what is worse is that citizens in hospitals are humiliated and in consequence the pressure of crisis becomes more intense.
Further, another important right is work and social protection of work and of course the social assistance. Article 41 from the Romanian Constitution stipulates (1) "Right to work can't be restricted. The profession, trade or occupation, and the place of work is a free choice". (2) "The workers have the right to measures of social protection".

It seems that social protection and social assistance are not present in all regions of Romania and in consequence we can see poor people and beggars in every city. This is a hard situation and the government should do something in this sense.

A researcher in domain of social assistance is Dorina Vicol from Romania who talks about social services in Romania.

She believes that the Romanian social assistance system was set up as a result of a long reform process and is covering both social benefits (covered from the state budget) and social services (covered as a regular basis from local budgets). The most important element of reform of the national system of social assistance is the emergence of the responsibility of the local public administration authorities in order to both identify the community problems and develop effective social protection strategies for children, families, elderly, disabled people, as well as for any person in need. Annual local budgets must include provision for the development and delivery of social services.

There are over 2000 social services providers, whose accreditation is based on their capacity to follow the minimum quality standards of social services. Over 50% of these are private providers, but many of these have small or medium capacity and sustainability in providing services.

Of course, it is true that there are few providers who serve almost the whole country effectively and whose experience is invaluable.

It is important therefore, to recognise the vital role of both non-profit making providers and voluntary workers in delivering an efficient social services system.

Although public providers represent only 50% of all accredited social service providers, they represent a large number of centres and users. But the system of social services has to be improved, specially to develop a real network of social services for elderly people.

It is important to sustain public providers - almost 90% of them are directly co-ordinated and financed by the local public administration authorities – thus allowing them to meet specific quality standards for specialised social services, to manage and provide social services, placing them in local care strategies, using individualised service plans, qualified personnel.

She believes it is imperative that has to continue with the implementation of action plans that will meet the goals of national strategies identified by Government regarding social services development till 2013, as well as the protection of specific categories - persons with disabilities, young people who leave the child protection system, victims of family violence etc.

Demographic shifts over the last decade or so have led to a decrease in the younger population – ages 0-14 – and an increase in the percentage of the elderly population aged 65 or over. Data indicate a decrease of 8.3% in the youth demographic during 1990-2007 (23.7% in 1990 and 15.4% in 2007, respectively); as well as a growth by 4.6% (10.3% in 1990 and 14.95% in 2007) in the elderly population of 65 years or over. The potentially active population – ages 15-64 – which provides Romania’s labour force – oscillated between 66.0% in 1990 and 69.8% in 2007. The economic dependence ratio of inactive people aged over 65 as compared with economically active adults – aged 20-59 years – was 34%. This trend is likely increase dramatically over the decades to come.

The most important right present in the Constitution of Romania is from article 47 the standard of life where is stipulated that (1) "The state is obliged to take measures for economic development and social protection, so that can assure to citizens a high standard of life".

What should we say about this article? Is not respected, of course. The economy is going down, firms are closing down daily because of high taxes that are exist in Romania, people become poorer and poorer and what is the government doing? Well, nothing at all. The taxes are rising and citizens are not capable to pay them because of low salaries and of course of those who lost their jobs.

Now let’s see who is involved in economic development with the government in a democratic state and this should be the solution for taking out from the crises the Romanian state.

Economic development has many diverse stakeholders, and they may include:

- Individuals and community groups.
- Workers and unions.
- Business and Industry.
- Non-government Organisations.
- Industry Groups/Peak Industry Bodies.
- Indigenous Community Members.
3. Conclusions

The situation from Romania nowadays is not too good.

The Government has some prerogatives and acts to accomplish like: assures the realization of internal policy , according to the program of government, approved by the Parliament (art.102/1); exercises the legislative initiative (art.74/1,2,3); presents the informations and documents required by the Parliament (art.111); exercises the general management of public administration (art.102/1); elaborates every year the project of the state budget and the social assurance and than are approved by the Parliament (art.138/2) and art.108 from the Constitution: “(1) the Government adopts resolutions and orders”.

Well, through these prerogatives and acts presented the government should take real measures to accomplish them as soon as possible so that citizens should be really protected. The most important act that the government should make it faster is the one referring to adopting resolutions and orders for the real interest of the citizen.

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Criminology Aspects Regarding Intra-Family Violence

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Key words: intra-family violence, law, syndrome, law, criminology

Abstract: Intra-family violence through its sociological, psychological, medical and juridical implications becomes a problem of multidisciplinary approach. The slow rhythm of biological development compared to the technical one, the discordance between the natural weapons of man and those created artificially, between the community traditions and the urbanization explains the growth of aggression in the modern world and implicitly in family life. Even though family represents the essential element of our social values (the first discrimination between good and evil appears within families) at the antipodes it can become an ordeal for human and social relationships for the structuring of delinquent personalities especially when children and adolescents have doubts about their parents values.

If violence is a social phenomenon with aggressive manifestations, aggression is an ethological (biological) phenomenon with social manifestations. Violence fallowed mankind beginning with the sacrifices and offerings, getting conspicuous within families whose history became the history of human misfortune.

In modern society do to the perfection of artificial weapons, violence in the highest sense of the word generates human insecurity which in its turn leads to violence, creating a vicious circle.

If violence is a free aggression submitted to man's desire and has a particular mimetic power, aggression expresses a bio-affective mood which manifests itself as a defensive reaction towards the surrounding environment.

In practice, the notions can be confused, especially in family life, where the behaviors are not scientifically codified and everything appears as being permitted.

Aggression has an ontological origin, and as sexuality, famine, fear, or instinct, takes socialized forms, and in the case of man it is restrained to the form of a symbol (competition, sport, argumentation), but it cannot be eliminated. In the human world we encounter all the forms of aggression, from imitation, frustration, offensive or defensive to the one conditioned from early childhood.

The slow rhythm of biological development compared to the technical one, the discordance between the natural weapons of man and those created artificially, between the community traditions and the urbanization explains the growth of aggression in the modern world and implicitly in family life.

The overloading of the senses through alcohol, sexuality, idealization of consumption, indifference and a permissive society, make human relationships impersonal, superficial and transitory which explains the recrudescence of today's violence, including the family ones.

Family is the most loving place. Tolstoy said that all families are happy, but it also can be a very violent place, the same author saying that all families are unhappy in there own way.

According to a theory known as "The attachment theory", the abusive parents were the victims of there own parents abuse. The lack of parental security generates violence.

The parental attachment, especially the one with the mother is at first instinctive and than affective. The lack of affection leads to the absence of communication between people. A frustrated child, without affection, will gradually develop a cruel and authoritative personality, which leads to the depreciation of the others. At an adult age this personality will be characterized by affective indifference, insensitivity,
Intra-family violence makes of it a syndrome (of depression), a drama of the individual (the chronicle alcoholism) and a family drama (couple alcoholism).

In the year 1989 57 murders were registered of which 23 were of the husband against the wife, 11 of father towards sons, 4 of wives towards husband, 4 of the son toward his father, 4 of the mother against her son, 4 of the son against his mother, son in law against mother in law, and brother against brother. But let’s see in which context they were committed in. Therefore of all the cases mentioned 48 were committed under the influence of alcohol, the majority had the blood alcohol content of 1-2 grams per thousand and in 80 per cent of cases both partners were under the influence.

By making a comparative study and taking as years of reference 1989 and 1990 we noticed: in the year 1989 57 murders were registered of which 23 were of the husband against the wife, 11 of father towards sons, 4 of wives towards husband, 4 of the son toward his father, 4 of the mother against her son, 4 of the son against his mother, son in law against mother in law and brother against sister. But let's see in which context they were committed in. Therefore of all the cases mentioned 48 were committed under the influence of alcohol, the majority had the blood alcohol content of 1-2 grams per thousand and in 80 per cent of cases both partners were under the influence of alcohol. In the 2 years mentioned another reaction to intra-family violence was the suicide, encountered in 15% of the cases. Thus 12 men and 15 women killed themselves through means that left no margin of error (hanging, drowning or throwing oneself of the window).

Intra-family violence has a series of risk factors. The main risk factor is the transmission of violence through its early penetration in personality combined with economical factors (poverty), psychological (jealousy) or sexual factors. Other important factors are: the dispute for children, family disorganization caused by separation, the beginning of a psychological illness, the feeling of low esteem, social isolation, marriage problems etc. factors which we encounter under the name of conjugopathy. At the opposite pole is conjugality, which is a permanent source of affection, the main factor of family cohesion.

Conjugopathy is created by the familial conflict of biological, psychological or sociological nature, which dissolves the equilibrium and symmetry of the family. Conjugopathies can be caused by genetic vices (accidental marriages, obliged marriages, immature or forced ones) or by some vices which can appear along the way like: individual or group alcoholism, mental illness or affective frustration. Conjugopathies can be biological (sexual incompetence) or psychological (couple neurosis, couple alcoholism, family violence, etc.). Many motivating factors lead to the appearance of intra-family violence, such as:

- The softness of morale which minimizes the creating character of the conjugal connection, many of the times leading to divorce;
- Conversely, rigidity of morals in the conception that the one suffering of family misery is permitted everything, from where the stigmatization and labeling that follows.

Frequently, the motive for conjugopathy is confused with alcoholism as a real essential anesthetic and which in a paradox completes the human nature, at the beginning making things better than they were and in the end verging the decay.

The violence suffered by the parents in their childhood is another motive for conjugopathy. The beaten child becomes the violent parent of tomorrow.

The main factor that leads to the commission of a crime of intra-family violence is in our opinion the alcoholism. And even if it is a part of our lives, by repetition and habit it can become a pleasure that kills. That is why alcoholism is considered to be not only a vice, but also an illness. The multiple implications of alcoholism make of it a syndrome (of depression), a drama of the individual (the chronicle alcoholism) and a family drama (couple alcoholism).
Through subcortical disinhibition which provokes it alcohol becomes the main reason for committing an intra-family violence act. At the same time it leads to the separation of families and the placement of its members outside of the norms and frequently the withdrawal imposed of a partner triggers aggression.

The French criminologist J. Merrill who studied the personality typology of violent couple’s parents pointed out the immature personalities, aggressive, indifferent and detached from their families. He also classifies the aggressive parents as being: aggressive, cold, rigid and with an unstable emotional structure.

In the specific literature the morpho-clinical aspects most often regard the syndrome of the beaten woman, child and the beaten man and also sexual aggression. Even if such intra-family violence is parental, sexual or of the couple, physical or verbal, accepted or unaccepted they are the consequence of a violent, affective or passive, physical or mental type of family, expressed frequently by the mentioned syndromes which we will breathily analyze further on.

**The syndrome of the beaten woman**

Due to the consequences and the social impact of this syndrome in 1975, in Mexico, an international congress dedicated to it took place. It is the most aggressive syndrome of the matrimonial aggression. According to the police data of many states this syndrome has a frequency of 75%. This syndrome is defined as a deliberate assault coming from a life partner and demonstrated clinically. The reality of the syndrome shows that within families the woman is always a victim and frequently the children are victimized as well. People began to talk about this syndrome around 1962, but its value was lost in time. Some say that women’s fractures have a frequency of 70 %, while those of men only of 20%. The victimized woman is most often subdued to forced sexuality or this is perceived with more acuteness, a fact to which probably Moliere was referring to when he spoke about the woman who liked to be beaten.

**The syndrome of the beaten child**

According to the police data, only 10% of the cases of beaten children were denounced to the police. This syndrome occurs to children under 5 years. Mothers who beat their children were deprived in their turn of maternal affection, or the ones who are beaten by their husbands, beat in turn their children. Besides the beating, some other coercive measures are used such as the home isolation or home banishment. These aspects of the syndrome concern young mothers who lack affective experience, impulsive mothers, immature or frustrated. This syndrome has the following characteristics:

- The maximum frequency between 3 months and 5 years. In The USA 25% of mothers declare that they have hit their children up to the age of 6 months.
- The syndrome is frequently encountered at illegitimate children or unwanted ones. It is frequently associated with the loss of affection within the couple and it is an element of familial conflict which must be atoned.

In most of the cases lesions appear such as corporal ecchymosis, subdural hematoma, etc. The children can become apathetic, mentally retarded and sometimes with an aggressive behavior.

**The syndrome of the beaten man**

According to the existing police data the syndrome is rare, with a frequency of 1-5%. Most of the times the maltreated women, the chased ones or doubted by the ethylic husbands are the ones resorting to such measures. The syndrome can lead even to murder if the husband is asleep or in a state of inebriation. Another kind of intra-family violence is the one against the elders, which can be a form of physical aggression, but in most cases it is a case of neglect, exploitation, abandonment or even sexual abuse. A special kind of intra-family violence is the incest.

**The incest**

The incest is the maximum form of sexopathy and sexual aberration, most of the times, unreported (in 90% of the cases it is not known), known only if something very bad happens like pregnancy, conjugal conflict or flagrant. I have only analyzed 15 cases. 7 of them were father-daughter, another 7 were brother-sister and only one was mother-son. The incest sometimes occurs because of the absence of the mother, lack of culture or alcoholism. It can occur in large families, in cases of concubinage, when the mother is absent or even an accomplice. The incestuous descent presents a great pathological load, from death (28% of the analyzed cases) to an IQ of 70 (ceiling effect of consanguinity).

In 5 cases this descent led to oligophrenia, in 4 cases it led to troubled behavior and in one case to epilepsy. Also, the ones analyzed manifested an increased sensibility to injections, benefiting of 1260 days of hospitalization compared to 580 received by a group of approximately the same age and social conditions.

Intra-family violence has multiple consequences such as depression and mental illness, the extension of violence in children, the running away from home, drugs, prostitution, but we will briefly analyze the conjugal suicide, infantile-juvenile deviance and the divorciality.
Conjugal suicide

Taking into consideration that the suicide in general is also an act of aggression, we will discuss it after we've analyzed the 3 main consequences of intra-family violence. The conjugal suicide usually occurs in the case of male sexual impasse and for women in the case of violence and conflict. The conjugal suicide, after our analysis, is frequently dissimulated, preceded by the desire to find a confident and, in case of failure, the death desire is no authentic, it is ambivalent. After the tempted failure the family is reproached. The act is frequently preceded by depression and it is being consumed during the holidays and under the influence of alcohol.

Infantile-juvenile deviance

It is conceived as a reaction component in family frustrations and it is generated by the lack of parental models (affective deficiency, abuse of alcohol) or pathological models (ethylic violence and sexopathy). The ones who were affected were the children in corrupt families after the interference of the divorce or the children of the street. Other times they were the consequence of abusive sanctions or frustrations.

The divorcality

Divorce is a special drama, with behavior risks, for the children who, deprived of the proper socialization, will be frustrated and will become aggressive. They risk behavior deviance in 80% of the cases. They will feel even a sense of guilt by lack of real sharing of parental guilt.

As we previously stated the suicide is another act of aggression, which is why it is studied by criminology.

The suicide

It appears as an act of human aggression because only the man has the consciousness of death (animals only have the instinct of self preservation). Nowadays the suicide as an aggressive act has a frequency of over 100 suicides per hour in the world. Sociological conceptions see suicide as an act of running away from the intolerable reality, due to solitude or isolation (especially in elders), an act which reflexes the decreasing socialization function of the family.

The suicide is classified as follows:
- Depending on the purpose: blackmail suicide, sacrifice for a value, proof of innocence
- Depending on the pattern of the suicidal act: attempted suicide or accomplished suicide
- Depending on the sense of the suicidal act: intimate suicide or collective suicide

The risk factors of suicide include affective deficiency (at children) depressive states and some similar situations (acute stress, unemployment, mass-media influence, injustice, fear of the law) and some psycho-relational factors (desperation, unwanted pregnancy, etc.)

The suicide is a reversed killing; the suicide presents itself as a shy murderer. The suicide has the same causes as the killings, such as frustration, deviance, social adjustment difficulties. The most frequent reason found by men to commit suicide is the social conflict. For women the main reason is the affection conflict. As means of suicide men often choose rough methods (hanging) and women choose easier ones (poisoning).

Children’s suicide represents a particular problem, in which the suicide has the appearance of a paradox, explained by the lack of affection, parental abuse, school failure. An old men's suicide often equates with an act of euthanasia motivated by confinement or incurable disease.

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Some Aspects Regarding the Control of Public Administration

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Key words: public administration, control, coordinate, lead

Abstract: Decentralization of public administration on the basis of local to solve an important part of management problems in local communities set up communes, towns, cities, counties, imposed control appearance of new forms and construction of a specific public institutions of state administration in the county-prefect. Main function of public administration, control mission is to confront the actions made by him to the purposes and tasks, to check compliance of public administration, in terms of a basis of reference material. Through its objectives, the administrative control of public administration reflects the complexity, you need to pursue it in all its concrete determinations.

1. Notion, necessity and the control role exercised on public administration

Control activity is regarded as a task of finding the results of application of the decision and not simply to identify deviations from the prescribed rules.\(^1\)

The content of the complex notion of public administration, the doctrine recognizes that making verbs: to provide organize, lead, coordinate and control.

Each of these are categories of actions that the administration made it and are found in the interrelation between them and inter-reciprocal, the premise of effective administration.

Public administration is the mid-size control by which to analyze its structure acts according to the reference set and the general goals of public administration. Control is a guarantee of the principle of legality in all manifestations of public administration, or can be discovered through any deviations from legal norms and established concrete measures to correct the action of law enforcement. In some cases control may relate not only legality but also the desirable of administrative decisions.

Ways to exercise control of public administration are the features according to an account that circumscribes the parameters and control criteria.

Such government control can be done inside or outside, can be a specialist or a political one, may be a purely administrative or a control administrative and jurisdictional.

Decentralization of public administration on the basis of local to solve an important part of management problems in local communities set up communes, towns, cities, counties, imposed control appearance of new forms and construction of a specific public institutions of state administration in the county-prefect.

Main function of public administration, control mission is to confront the actions made by him to the purposes and tasks, to check compliance of public administration, in terms of a basis of reference material. Through its objectives, the administrative control of public administration reflects the complexity, you need to pursue it in all its concrete determinations.

Enforcement contribute by their findings and conclusions to correct administrative decisions and the adoption of public administration actions to evolving social realities.

Not only the result of administrative action, but subject to control and structure the institutions that are working on a line-execution organization and the effectiveness in practice of law, and how the persons endowed with legal competence in the matter.

Control is not just a contemplative nature and role but is regulating the execution of the administrative decision of the decision itself. The essence of administrative control consists in confronting public administration, “as it is, how it was or how it will be, what should, what be or what will be”.

2. Organizing activities control

The function of administrative control to achieve their aims on improving the structure and activity of public administration according to doctrine, it must meet several conditions:

a. be made as far as possible, the administrative institutions themselves leaders, because the control function is inseparable from the management function.

Any manager of an administrative institution and are to exercise the power of control on civil work of subordinates and influence their activity institution results. To lead means and to check the actions that are performed by subordinate staff. Such administrative review is to be made permanently, without disrupting the current activity of the institution.

b. control to be performed by specialized personnel who can analyze, in a professional manner, work and other aspects tested, can make relevant proposals to improve them. Review findings and proposals should be made as soon as the knowledge management institution, able to dispose of the remediation of deficiencies.

Control must be a qualified control specialists, persons who possess the ability to establish and assess a specific task, capacity formed in school and perfected in practice.

One can appreciate that Parliament’s control over public administration activities control is described, because it is designed to assess the social efficiency of executive branch activity.

When followed some technical aspects, the law establishes an appropriate form of control, taking into account the requirement just its specialization.

Control compartments organized in spring of administration, the specialist can assess accurately the activity checked, than that which would include a large amount of problems, a wide variety of administrative area.

c. control efficiency is determined by the optimal proportion of this activity. Control work must meet certain limits so as not to turn into a brake on the normal activities of administration and not inhibit its actions.

At the same time and control should follow the evolution of social life during the continued growth of the demands against it and causing a steady rise in quality control.

Results of control depends on its regular, or systematic character. Routine check can lead to timely detection of possible deficiencies and enable the ability can take action before the deficiencies due to increase, producing negative effects. In this way it can prevent errors, damaging results by specific guidance given in the process of practical activities, role preventive based upon its review or systematic character.

d. control procedures must adapt constantly to the objective.

Control can be one unannounced or announced, depending on what is sought by making it, depending on the chosen reference.

Practice illustrates the expression of divergent positions between controllers and controlled on appropriate control methods. The first are generally reluctant to control because it would impede announced the discovery of the body controlled gaps can fix or hide.

It is advisable in order to obtain maximum efficiency of control, cooperation with the monitoring bodies examined in order discovering the real causes of deficiencies and choosing the most appropriate measures to improve work.

e. efficiency of control depends on how the findings of monitoring bodies are recovered.

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1 Denis Havy, Aspects generaux du controle, in Traite de science administrative, Paris, Mouton, 1966, p. 694
2 M. T. Ovoreanu, Treaty of administrative law, Christian University “Dimitrie Cantemir”, Bucharest, 1994, p. 130-133
Any control action must end with some conclusions, submitted in document control. To contribute to the improvement of activity of control is necessary for these conclusions make the subject of discussion with management factors controlled body or in a broader framework. In this way you can know the positions of both sides to act inspection can identify appropriate measures for overcoming deficiencies, can boost self-made by each officer on their activities.

3. Ways and forms of control exercised over the activity of public administration

Administrative control can work on all aspects of administrative action in any of its forms of expression.

Such control may relate to the use of human and material resources, financial resources or the way the body control exercised legal competence.

Prof. MT Oroveanu distinguished as control targets following ways¹:

a. control material for verifying concrete elements, for which the assessment is confined to the presence or absence of measurable factors;

b. Regular control which lead to confrontation item subject to verification with a legal rule, within this control involved some possibilities for interpretation. This control refers generally to administrative and financial operations;

c. control of cost, using the method accounts as elements of assessment and has a synthetic character follows when assessing the cost of human and material resources for administrative tasks. Complexity increases when considering the profitability of officials and administrative departments.

d. control of efficiency involving comparison with the standards of a reference base.

e. Control of opportunity within which elements of reference and comparison is inaccurate and potentially different analysis, which cause swings in assessment possible.

Administrative control theory identify several forms of the latter depending on a number of criteria such as:

a. in relation to the time at which the control over time of the shares controlled, control may be: first, cocomitent or after activity analysis.

If before or preventive control, administrative decision can be taken, unless the verification of compliance certifies the legal conditions. This form of control, although it has the advantage that prevent erroneous decisions, inefficient, has disadvantages that impede the speed government action.

Co control is the most cumbersome and control is rarely used for practice.

Instead, subsequent verification – a priori - is the rule in the administration. Disadvantage or be the possibility to detect possible violations of legal delay.

b. in the previous update report, does the knowledge of inspection body controlled it can be - unannounced or against.

Unannounced is used when you wish to capture the various possible deficiencies in the work of an organization controlled, for example in financial management, etc.

This form of control does not allow a thorough analysis of administrative activity, efficiency, just surprise a state of affairs.

In case control announced aim pursued by one who performs it is, first, detect errors in the activity of administrative structures, but thorough analysis of its activity, the possible causes of negative phenomena manifested.

Evidence shows that through collaboration between the controller and control it can achieve deeper purposes of the control and removal of any faults in the work of public administration.

The doctrine of administrative law more relevant and other forms of administrative control by criteria as:

a. sample stretching under control action,
   - comprehensive control and limited control.
   Control may include all activities undertaken by the body subject to verification, within a given period of time since the last inspection conducted up to date. This situation has meant inconvenience that involve a great deal of work and a large amount of time devoted to its unfolding, sometimes in contradiction with the results obtained, especially as this time no body controlled activity can not be running normally.
   - Limited control includes checking a limited sample of cases, individual cases, stretching the conclusions of the entire activity. Of course, representative sample chosen is a prerequisite for a positive result of control action.

b. after control technique, it can be conducted unilaterally or on the basis of contradictory. In the first situation analyzes control objectives in the documents examined, without the participation that drew up the control unit or representative.
   Based control involves participation contradictory body controlled by providing explanations, information, training of any objections, all of nature was necessary to clarify the relevant conclusions, fundamentally.

c. after the venue, administrative control can be: control file or control site. Monitoring includes checking on file at the supervisory body of documents required body control.
   In case control site, check it performs on-site verification is the place of administrative institutions controlled, allowing the formation of an overall view of activity and greater depth appreciation, and more swiftly to control operations.

d. after its control objectives can be: thematic or point.
   The first assumption is accomplished by control plans that include specific goals to be achieved. Supervisory Body should target their work to verify compliance with the reference of all the objectives of the theme.
   If the control point, generally follow to verify a crucial situation, imposed by a specific objective, which at that organizes control aims to realize one or more organs controlled. Also, this form of control may be the result of observation or complaints transmitted by a person exercising the right of petition.

e. depending on the organization of the team organizing the inspection team, in theory distinguish between:
   - individual checks carried out by one person, and
   - controls or collegiate team, generally more comprehensive and better warranties about its objectivity.

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