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Editorial

The Triadic “Politics-Economics-Ethics” Continuum – the Theoretical, Postmodern, Transdisciplinary, Integrative and Holistic Background of Management

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Abstract: *This paper continues the dialog (especially that one started some years ago, with Bart Engelen) on the utility and opportunity to use “ends” and “means” in a new approach – called “End Means Methodology” (EMMY) – to (re)define Economics, Politics and Ethics, Management, “Social Sciences” and to apply these definitions to a new general framework describing and explaining (individual and group) human action especially in its ethical dimension. EMMY is a very good background for Management as a theory on efficient and effective human action. Often we may put an equal between EMMY and Management. The moral dimension of management is obvious, since both Ethics and Management talk about good/ adequate human behavior. EMMY sustains that Ethics is the intersection between Politics and Economics, i.e. the continuous balance of ends and means. Finally, the Management – as a concrete and specific (individual or group) human action - is made of simultaneous political and economic approaches, but some specialists prefer to see first of all only the specific differences and not the common features of any managerial act. I underline here that there are many who are confusing the political and party dimensions of the human action. A party vision is smaller than a political one.*

Keywords: *End Means Methodology (EMMY), transdisciplinary thinking, Management, Ethics, human action, Austrian libertarian school, Basarab Nicolescu*

Answering the invitation of the International Society for the Study of European Ideas (ISSEI) I organized and chaired a workshop called “*Politics-Economics-Ethics Continuum*” at its 9th Conference with the general theme “*The Narrative of Modernity. Co-Existence of Differences*” in Pamplona, Spain, August 2004 (see Note 1). In this workshop I have presented a paper with the title “*(Re)defining the Essence(s) of Politics, Economics and Ethics. Is this Possible only by Ends and Means?*” Here is the statement on the proposed workshop in the Section 2 of the Conference (Economics, Politics, Law): “*There is a lot of dialogue and controversy on which is more important: economic or political activities. The same on Politics and Economics - viewed as theoretical dimensions about the above mentioned realities. More than that, Ethics is often interpreted as a Code of rules or confused with deontology. There are some ideas about the essence of Ethics starting from the general end/ aim of human beings and the real means possible to use/ combine to attain the proposed ends. Personally, I defined Politics as the study of establishing and pursuing ends in function of the existing means. Economics may be defined as the study of the combination and consumption of means in order to attain specific ends. When the economic dimension is fitting and matching with political dimension (defined as above) and this “fitting and matching” is agreed on by a majority, then we may speak about a moral behavior of those implied in these processes. Finally, we can define Politics, Economics and Ethics by using only these two “magic” words - ends and means. This is a work hypothesis and I invite social scientists, sociologists, psychologists, managers, economists (still named as economists), politicians and ethicists to generate a true and argued dialogue about the above proposed definitions. In my opinion, the modern world was normally determined to create borders among scientific disciplines (exactly as borders among countries) but there is a propensity now to ignore the formal/artificial borders between countries or scientific disciplines. The result will be to create a new global world and a real common field of Science. Global science is a human (political) ideal that may be attained with specific and well-combined (economic) means. This is a real chance to create a moral and equilibrated world. No matter of*

approving or disapproving these ideas scholars and students are invited to have clear and argued opinions that may be presented at Pamplona Congress as papers in a specific Section/Chair.”

I distributed the paper to the workshop participants and a Belgian colleague, a young PhD student, Bart Engelen, presented in my workshop his contribution called “*The Politics-Economics-Ethics Continuum Revisited. Why not define Politics, Economics and Ethics only by Ends and Means?*” [5]. I was really happy – and still I am - to have a critical view on my paper and still I am, thinking Bart will generate another paper with his observations, after reading this article. Bart Engelen’s article (in a slightly revised form) was published by “*Revista Romana de Bioetica*” (Romanian Journal of Bioethics), vol 3, issue 3, July 2005 [6]. My intention writing this article, after almost eight years from the beginning of our dialogue, is not only to counterattack Bart’s arguments, but, first of all, to show to other readers how useful is to have real dialog and to respect each other’s opinions. It is useful for readers to know that I have published more articles on End Means Methodology in some previous issues of this journal (ETC). In order to better understand the historical background of this dialog see the articles published in vol. I no 1 (Ethics and ethical behavior in education and health care. A postmodern view (1)”), [1] in vol. I no 2 (“Ethics and ethical behavior in education and health care. A postmodern view (2)”) [2] and in vol. I no 3 [3]. As a continuation to my preoccupations to concentrate at least three (former) “social sciences” into a single one and to compact theories on human action was my workshop, proposed by me for the 12th ISSEI Conference (August 2010) in Ankara, Turkey. The title of the workshop was “*Keynes after Keynes. Towards another General Theory on Human Action*” (see:<http://issei2010.haifa.ac.il/workshops.html>). This time I left the Section 2 (Economics, Politics, Law) and put the workshop in Section 5 (Religion, Philosophy, Anthropology, Psychology, Language) just in order to complete the list of former “social sciences” to be merged up into EMMY (note2). Compacting and essentializing knowledge is quite synonymous to the integration process of economies/ countries all over the world, a process imposed by the acute competition. Survival in markets and in life depends nowadays not only by education technological progress, but by integration of smaller economies into bigger ones. This integrative process is a neofactor of improving competition requires giving up to some parts of independence and sovereignty. Concretely speaking, the political borders are breaks to the economic integration process. Similarly, the cognitive compacting process requires giving up to some forms of disciplinary “scientific” proud. A concrete example of integration and compacting knowledge is to unify all disciplines studying man and its life. This compacting process imposes some big changes to the education process. The big diversity of disciplines about human life should be taught as one since gymnasium and till faculty. My proposal is to have a non-specialized curriculum till faculty, and only after the license cycle specialization may begin and grow until master degree and doctoral degree. The tru specialization may begin only at doctorate level, and decisively at the postdoc level. Otherwise, there is a big risk to spend a lot of money on making, after many school years, a narrow specialized robot to be able to execute a small range of activities. So, I propose to introduce to gymnasium and high school a transdisciplinary curriculum¹, whose content should be defined and approved.

First of all, the Bart Engelen description of my vision called EMMY (End Means Methodology) is less accurate as I (and probably Bart Engelen) hoped. His very first sentence proves this: “Prof. Liviu Drugus suggests to (re)define the essence(s) of Politics, Economics and Ethics using the instrumental framework of means and ends”. But my triadic vision based on two fundamental human elements: ends, means, and end-means adequacy is a teleological-instrumental one and not only an instrumental one (see Note 3). This is a direct consequence of considering Economics as a “science” and as a technical discipline to be applied successfully for permanent profit maximization (sees Note 4). My definition of Economics is “Means to Ends”, not only “means”. It is true, I didn’t underlined every time this simultaneity of ends and means which makes from my EMMY a teleological-instrumental framework and not an instrumental one. Similarly, I define Politics not only as the realm of “ends”, but as “Ends in function of Means”. In the same manner, I (re)defined Ethics as: “Means to Ends and Ends in function of Means Adequacy”. As a result, it comes that Politics, Economics and Ethics are quite impossible to treat and to study separately. To teach Economics without Politics and Politics

¹ Those interested by transdisciplinary curriculum may find interesting ideas reading the dialogues of a Yahoo discussion group called dialoguri_transdisciplinare@yahoo.com. This forum is moderated by an enthusiastic follower of Basarab Nicolescu and of transdisciplinary thinking, prof. Mirela Muresan from Moise Nicoara College from Arad.

without Economics is a sacrilege to the next young generations. I observed that after 1990 in Romania a more intensified use of end-means ration. In this December, a Romanian TV Channel called “The Money Channel” introduced two rubrics called “The Economics is Political” and “Economy is Life” both of them promoting this idea of identity between politics, economics and life (ethics).

Bart Engelen, the former PhD student in 2005 and nowadays an active PhD writing on various left side political, economic and ethical questions (CSR is one of them) is dividing his paper into three: one with positive remarks, one with critical analysis and the third with new proposal on how to see the Politic-Economic-Ethics continuum. The first part is under the sign of a harsh criticism to my overuse of instrumentalism - a pity I dare to say I did not commit... As I explained before, by reducing my vision to the (narrow) economic field – which is essentially instrumental – it is after that very simple to accuse the “Politics Economics Ethics continuum” approach of practicing simple instrumentalism. Or, my vision is simultaneously both teleological and instrumental. Exactly this simultaneity generates the ethical dimension, and the lack of simultaneity generates immorality, i.e. crisis and poverty. To be clearer, the teleological dimension is closely related in principal with ends and herewith with political field and political analysis, and instrumental dimension is closely related in principal with means and herewith with economic field and economic analysis. I used the term “in principal” just in order to show that political field cannot be reduced to ends, but only to those ends that were chosen in function of the possible means to be used for. Similarly, the economic field cannot be reduced to means, but only to those means that are used for attaining a/ some certain end/ s. It results that there are no ends without means, and no means without ends. If this is true, then comes that ends and means are possible to understand only in their intimately close relationship. They are part of a continuum I am calling “end means continuum”. This happens in the worldwide permanent reality/ practice. But the same thing needs to happen in theory, as well. From here I do consider that it is a great danger to say it is possible to study ends without their corresponding means, or to study Politics (political science) without Economics (economic science), and vice versa. As a first conclusion, my approach cannot be only instrumental (or “exclusively” instrumental, as B.E. says in the Abstract of his paper, or “purely” instrumental as B.E. says at the beginning of the second part of his “The instrumental politics-economic-ethics continuum revisited”).

A second mistake made by B.E. is to consider (together other theorists in politics) the political field/ domain as being strictly defined by society, people or collectivities. My point of view is less collectivistic and takes into consideration only individual human beings. Radically speaking, I do not consider the existence of organizations, societies or even countries; there exist, strictly speaking, only individuals – not crowds. Crowds do not have a common brain to think. The common thinking of – let’s say British people against Nazi invasion – is only a “kind of” common attitude, but not common thinking. As a matter of fact it was about British individuals who hated Nazi people, but there existed also some who liked them. Only the result of these individual ends may generate the illusion of having a collective/ thinking. So, individuals’ ends are the essence of political thinking and not the crowds’ ends. I think there is an abuse of “social” in the language depicting human behavior. I do not accept using “social” instead of “human”. So, I do not recognize a discipline called “social psychology” – a contradiction in terms. Abusing of “social” is a sign of “scholars” impotence to deep understand human being in his integral dimension¹. I think that the lack of technical tools/ instruments/ skills did not permit to satisfy all individual (positive) ends. Some people may wish to have fresh air and tourism in their region but others may accept to have a strong (polluting) industry in order to benefit of their own skills and abilities². But, political power decides to apply only one of these alternatives. Similarly, some people agree contraception, but others do not; some agree

¹ We reached to have not only “social psychology”, but a lot of other “social” things: “social state”, “social cognition”, “social thinking”, “social individuals” (brrr!), “social value”, “social research”, and last but not least: “social sciences”! This ugly word comes to replace any word remembering human beings, humanity, humankind; humanistic etc. “Social Corporate Responsibility” is, for me, a very good example of manipulation and mystifying the truth about the real responsibility of corporations. It is not about corporate responsibility but about the lack of any responsibility in most businesses claiming out a high degree of interest for the wellbeing of the citizens. Another example: when a political regime is guilty, not all the administration is executed, but at most only one of them (the leader). So, the responsibility is pure individual and not social.

² The Rosia Montana case, generated by the Canadian Gold Corporation is a good example of a quarrel between the corporate individualism/ capitalism defenders and the collectivist/ ecologizant socialism ones.

euthanasia, but others do not. Every part may create a political party just in order to *impose* their vision on the rest of the community. So, it is really difficult to speak “in the name of the whole people”. Of course, the political discourse is using this simplification of telling the truth to masses, but not all are part of the common voice. It results that we may speak about ends not only in politics (treating the crowds as a common voice) but also in individuals’ life. “I want to” is better and more believable than “we want to”. I suppose that in this moment of reading my vision, many people (B.E. included) fail to get the essence. I spoke about majority, having in mind the idea that for a bigger group is simpler to establish common ends and to fulfill them (technically speaking) than for smaller ones. That is why I introduced in my EMMY the three fundamental levels of human aggregation: micro, macro and mondo/ global (See note 5). As a conclusion, my vision is strongly opposite to the so called “science” named “Social Psychology” which I do consider has not a real field of study, just because psychology is about individuals, not crowds. “Social Psychology” is for manipulating crowds not for explaining how individuals accept to be treated as not having individual but common brains. As a matter of fact, “Social Psychology” is simply Statistics.

B.E. agrees the definition of Robbins [7] for “Economic science” (Economics) and observe that “Drugus himself refers explicitly to Robbins in his article, where he states that his opinion on what Economics is <is very similar with that of Lord Lionel Robbins>. I said “similar” not “exactly the same”. The correct name of what Robbins defined as Economics (see note 6) is Political Economics, just for the simple fact it speaks not only about means, but about ends as well, or about scarce means to fulfill larger ends. The lack of precision in language caused much confusion in humans’ life... It comes from here that Robbins only spoke about ends and means in the definition of a so called Economic science, but during his work the ends were often forgotten and all attention was dedicated to means. This is, indeed, a case of excessive instrumentalism... Only combining means (without clear ends in mind) does not mean we are doing an economic activity. Such an activity is not human in its essence; it is about mechanical work...

By defining management as the study of adequating (See note 7) means to ends and ends to means, I prepared the conditions to understand human activity (or human behavior, or human action) as the continuum space of ends and means, a space that implies both political and economic(al) dimension. It is a better way to understand management, if we have permanently in our minds both the teleological and instrumental dimension. Probably, this hard task of asking someone to think simultaneously on more dimensions may get him/ her nervous... Even the very simple words “ends” and “means” may create a lot of misunderstandings, especially when we try to explain them better... A very nice example is given by Adler (See note 8). If my vision may be connected with other ones, then it is my conviction that the closest to me are the libertarians (Ludwig von Mises [10], Murray Rothbard [11] and Robert Nozick). (see Note 9). In B.E.’s comments it seems to me that his explanations at “1.3 Why define ethics only by ends and means” are much influenced by normative thinking. In EMMY, the fitting and matching process is first of all an individual one, connected with the higher contexts (from macro till mondo). We do not tell anyone what to do and how to do, but simply evaluate if this fits with our interests and ideals, and if this do not hurt other people. This so called “altruistic” attitude is – as a matter of fact – a quite egotistic one. Let’s have an example: we accept to be generous to a neighbor, just because if not - we risk getting an enemy instead of a friend. This kind of generosity is the base of any cooperative process in competitive contexts and that generates the co-opetition behavior (see the Prisoners’ Dilemma). To be short, ethics is not a list of rules and interdictions but a process of continuously thinking and adapting to specific and concrete conditions. To be more clear, competition is not against cooperation (as often presented in literature), but competition is a kind of cooperation.

In the second (critical) part of his paper Bart Engelen insists that all my vision is instrumental, but, surprise (!) he criticize me by taking my own explanation and considering it is him! “Defining politics as exclusively concerned with defining and ranking ends leaves out several essential characteristics of political activities. Politicians do not only decide which goal they want to realize, they also determine how to go about this. Since the weighing of competing ends always implies some evaluation of the available means, politics can not remain neutral towards the allocation of the latter” says B.E. And I perfectly agree with him. This is part of my demonstration that political field is an end-means continuum, and not simply a list of pre/established ends. And if ends are envisaged in political then it

is not about instrumentalism, but about finalism (teleology). It is interesting to observe the logic of B.E. (it is often met in practical and day-by-day life): It happens like in the following situation: One sees a dwarf and says: “you think it is a tall man, but I’ll demonstrate it is not a tall man!” But I said it is about a dwarf... This kind of logic is really non useful. B.E. presupposes I am thinking at something, or I am referring to some economic schools, but I didn’t... He says that “efficiency and economic growth become values and ends in themselves, since they are taken into account at the political level”. Really? I think not EMMY is guilty that some narrow minded economists may “exclusively focus on instrumental rationality”. It is their own thinking and they have the right to tell anything to naïve listeners.

Another interesting problem debated and not accepted by my colleague is that of the “domains” of politics and economics. Only he and the old modern Cartesian thinkers do believe that there are “sciences” with a quite exactly territory, with borders and with something very esoteric things those inside the domain are doing there ... I disagree that, and that is the reason of my redefining politics, economics, and ethics as a continuum, without borders, without specificities and without “scientific” rules. B.E. is angry with my so called “instrumentalization” of the above mentioned disciplines and concludes that by doing that “politics inevitably invades in the domain of economics”, that “economics also invades politics” and that “ethics inevitable invades into the domains of politics and economics in their instrumental sense”. Here, he is right. I support this kind of invasion and invaders! I disguise any border between the so called (feudal) domains and have an integrative, holistic, postmodern and transdisciplinary approach to all three of them (politics, economic, ethics). To be clearer to my readers I do not consider there exist these domains, but only a continuum space of thinking, feeling and acting (this general space of human existence I called management or ethics). I do not insist here just because a lot of articles of mine about this issue are already circulating on Internet. To take another example of accepting invasions, I’ll mention the necessity the European Union structures to “invade” its member countries with some rules and contingencies/ restrictions as in a big and normal family. Common (fiscal, financial and budgetary) policies for getting out from the economic crisis and to prevent future ones are quite necessary.

Some may ask: how is possible that two thinkers may have such a different position to one and the same thing? I think it is about points of view, about visions and approaches. B.E. is clearly a modern thinker and I am a postmodern one. He is a disciplinary thinker and I am a transdisciplinary one. He is a localist thinker and I am a localist-integrationist-globalist one.

At last, management¹ – as a specific and concrete form of individual and social human action – is mainly formed from policies and economic strategies, but some prefer to see the differences and not the common features that are specific to humans. Bart Engelen’s opposition comes from old and obsolete beliefs coming from the (pre)modern way of doing “science”: dividing realities and ideas until the smallest component (analysis) and after that to extract the principal differences. Let’s take an example: one may see bread as bread, but other prefers to see (looking at bread) the powder, water and salt. From this moment, we have three experts/ specialists in powder, water and salt. But we have a lot of kinds of powder, water and salt so a lot of other experts should appear to demonstrate their usefulness and expertise, so we’ll count hundreds of specialists that are talking (and talking...) about the particularities of every kind of powder, water and salt. Meanwhile, people are asking themselves why the quality of bread is lower and lower. For short, this analytical and disciplinary approach (practiced by B. Engelen, as well) is modern thinking applied to postmodern times. I consider this should be thoroughly revised and reconsidered. By adopting the transdisciplinary and postmodern view (as in EMMY) we may move to a more moral, harmonious and equilibrated world. Even my first ideas in creating EMMY came from Marxism (especially the American Radical left Economics) at the middle of the 80s, at the beginning of the new millennium I discovered the Austrian school of Economics (libertarians) to which I found some common ideas, but quite different applied, methodologically speaking.

¹ In 2000, at Bled School of Management in a training program organized by Central and East European Management Association I defined management as “fitting and matching ends to means and means to ends”. This was another way to put an equal between Management and Ethics, both of them being part of a larger vision called EMMY.

In the third part of his paper, B.E. tries to be more than me, in the sense that he becomes abruptly an adept of politics-economics-ethics continuum, but not in the terms of instrumental rationality. I must underline once again that I do not accept this kind of limited thinking called rationality, or worse, instrumental rationality. These are modern approaches and I tried to give them up and to move to the postmodern thinking with larger and borderless spaces. I do include irrational thinking in the human action determinants, so I cannot be considered as an "instrumental and rationalist" thinker.

Finally, B.E. makes a plea to the same thing I am fighting for more than three decades: unifying social "sciences" into a single and coherent one, without borders. I defined the three former domains (still called political science, economic science and ethics) by using only ends and means just in order to demonstrate it is completely non useful to maintain them as distinct ones. After criticizing my approach, B.E. says it is his view and hopes that he "suggested possible directions for the development of truly interdisciplinary research within the social sciences". Oh, my God! When I supposed to get a new transdisciplinary disciple (among many others) my colleague retreats to the simpler and older interdisciplinary approaches... Anyway, I am convinced that in his next article B.E. will get another innovative approach: transdisciplinarity. Here are the virtues of dialog and of receptive attitudes to new ways of thinking. I do hope that the transdisciplinary dimension of ethics is, as a result, already a proved fact and this new approach may use the foundations of politics-economics-ethics continuum. Some tried to convince me that EMMY is a new discipline, but I must clearly say that this new way of thinking is beyond disciplines, against borders and against reductionist instrumental rationality. A bon entendeurs, salut!

In some previous articles and editorials published in *Economy Transdisciplinarity Cognition* journal I wrote against modern "science" and in favor of postmodern knowledge. Here I simply add an interesting position of Lewis Wolpert [9]: "Science is, ironically, unnatural, requiring an unnatural mode of thought and leading to unnatural ideas".

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Notes

1. See <http://issei2004.haifa.ac.il/workshop%20list.htm>
2. An explanation is necessary for using inverted commas when referring to "science" and "social science(s)", ("economic science" included): I concluded that there are no more "sciences" in the modern Cartesian style, but only sets of techniques and tools to be used in certain circumstances []. In many cases it is about opinions, beliefs or convictions and proofs, but not about laws, principles and rules, as most "scholars" pretend to do. I

prefer to come back to the old Greek episteme that denominated skills (and information or generally speaking Knowledge. The “Death of Science” and “The End of Science” speak about the end of modern Cartesian science and the birth of older but postmodern Knowledge. In this respect, I do consider EMMY is the very axis of a new vision on human beings I already called Anthropologics (completely different to the modern Anthropology).

3. I think this kind of confusion is part of many other so called “economic science” statements that generated the present world economic and financial crisis. Anticipating a bit, I dare to say that this crisis was possible to come to life exactly from the lack of the moral dimension which is defined especially by “adequacy of means to ends and ends to means”. Non adequate measures in Romanian economy made possible to pass from a positive economic growth of cca 8% to an economic decrease of 8%. This is the ethical initial dimension of crisis, but those who were elected to apply good policies (politics) and to use the necessary means (economics) to fulfill them are to be questioned about the “scientific” dimension of their activity.

4. May I ask a question, please? Where are living the political people who were counseled by economic “scientists” during the crisis? They simply disappear from the public life and wait to appear better times when they will apply again the big truths of the economic science, political science and, of course, of ethics. Business ethics was often taught as a “science” of maximizing profits and wages simultaneously. No big difference to “scientific socialism” that pretended to satisfy all human needs, be them through benefits or salaries...

5. “Mondo” is the Italian word for “world” (well known to English speaking people from a movie named “Mondo cane” - A world good for dogs or A dogs like life. I used to name world “mondo”, just to underline the spatial continuum micro-macro-mondo.

6. Robbins defines Economics as “the science which studies human behavior as a relationship between ends and scarce means which have alternative uses” (see ref 8)

7. Etymologically, to adequate comes from “ad equate”, i.e. to equate, to equalize, or to equilibrate. Of course, I do not refer to put an equal between ends and means, but to link them in a useful and pleasant way. Finally, it is about a harmonization process developed simultaneously and continuously in the triadic space (micro-macro-mondo) and in the triadic time (past-present-future). Many (if not most) of us ignore some of these dimensions and, as a rule, they concentrate on macro and present (i.e. me in small social context at this very present time). If they’ll try to put an equal among all 3+3 fundamental dimensions of our existence, then they will be more attentive to mondo and to future (and to micro and to past, as well). This means all dimensions are equally important if we really intend to have a harmonious existence.

8. See <http://www.thegreatideas.org/adler-on.html#ENDS> and <http://www.thegreatideas.org/adler-on.html#MEANS>

9. See <http://en.wikipedia.org/wiki/Libertarianism>

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Modern Indicators for Performance Quantification

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Abstract: *Indicators represent the main instruments of measuring the economic performance. Their definition emphasises the role in quantifying a phenomenon, an economic activity, etc. at one time or during their evolution. In general, these definitions treat indicators as:*

- *objective data describing a phenomenon, but strictly from a quantitative point of view;*
- *data rendering the true image of a phenomenon under observation;*
- *figures expressing the evolution of a successful key-factor.*

In the economic literature and practice the concept of performance has several meanings, such as: action, the result of an activity, success. If we refer strictly to the economic field the concept of performance is approached under different meanings such as: return, productivity, output, economic growth. Even more, new indicators and analysis instruments appeared so as to measure the company performance that is the ability of economic agents to create value.

Keywords: *value creation, performance, Economic Value Added, Market Value Added, Total Shareholder Return, Cash flow Return on Investment, Economic Margin*

Introduction

Modern indicators for analysing the performance of quoted companies are built using the concept of *value creation*. This concept is used in Anglo-Saxon literature to give substance to a new integrated approach of the company activity, respectively of the management based on value creation (*value based management*). Creating value is an objective of successful companies, with synthetic valences concerning all activities.

Classical indicators provide information about the historical performance of the company, without taking into account the cost of invested capital, but only the results of its use. As a result, there are enough companies which record notable performances, but which do not create value, and, on the contrary, they destroy the existing one.

The creation of value can be analyzed from multiple points of view: shareholders, creditors, employees, suppliers, other partners of the company. As I have noted above, a company is globally successful to the extent that it manages to meet the expectations of all its partners. Thus, the overall performance would have to take the mathematical model of an optimization function.

For each category of partners there should exist specific indicators for quantifying the performance of the company, which will show, as a last resort, to what extent the company succeeds in meeting the interests of each of these categories. The practical problem lies in the difficulty of measuring the subjective variables whose level is to be optimized (the confidence in the analysed company– in the case of suppliers, the quality of products/services and the quality of the contractual relationship – in the case of customers).

One of the applicable solutions would be:

- observing the essentially subjective character of these variables (trust, satisfaction, quality, etc.), which means giving up to uselessly forcing their association with quantifiable indicators, which in most cases will diminish their coverage;
- recognizing them as a unquantifiable criteria, fact that must not diminish their importance;

- their assessment on the basis of rating scales, variable in number, depending on the nature of the analysed subjective criterion.

At present, the company owners are privileged in terms of their needs for information on creating value. This situation is based on at least two reasons:

- the measuring of shareholders' satisfaction is done through quantifiable indicators (Economic Value Added – EVA, Market Value Added, Cash Flow Return on Investment, Total Shareholder Return – TSR), even if it is as a result of a more complicated approach for some of them;
- Currently, the socio-economic organisation system of developed countries privileges the business's owner, who invests and assumes risks. So, its interests will always come first and the company will primarily aim to meet his expectations.

As a result, we will direct our attention towards the indicators of quantifying the performance of companies valued from the point of view of the company's owner/owners.

For application in practice of the value-creation concept there are several alternative approaches. But all involve maximizing a variable on which depends the changing of the company value.

The choice of a variable can be made of the following:

- an accounting value: the *profit* or *return on investment*, determined as economic rate of return (profit/total assets) or as financial rate of return (profit/equity);
- a marketing variable: market share;
- a variable based on the cash flow: the cash flow generated by investment (Cash Flow Return on Investment);
- a variable based on cash flow, taking also into consideration the risk of financing: Economic Value Added

The advantage of such variables is the ease of their use as compared to the use of the discounted cash flow (DCF) method, which refers to the value created on the basis of all cash movements. The disadvantage is represented by the imperfect correlation between such variables and all occurring cash movements.

Modern indicators for quantifying the economic performance [1; 420-433] as perceived by company shareholders are classified, according to the criterion of their origin, into four categories:

1. indicators for measuring the company performance promoted by Stern Stewart consultancy office: *Economic Value Added* (EVA) and *Market Value Added* (MVA);
2. indicators for measuring the company performance promoted by Boston Consulting Group and HOLT Value Associates from Chicago: *TSR – Total Shareholder Return* and *CFROI – Cash Flow Return on Investment*;
3. the indicator for measuring the company performance promoted by Accor: *Return of Capital Employed* (ROCE);
4. The indicator for measuring the company performance promoted by Applied Finance Group since 1995: *Economic Margin* (EM).

The similarity between the four categories of indicators is that they all meet the information needs of investors, therefore treating performance from this point of view. However, the indicators promoted by Boston Consulting Group emerged as an alternative to the indicators created by Stern Stewart office and the indicators of Accor was thought of as a counterweight to EVA indicator. In the same manner, the economic margin indicator was developed by Applied Finance Group to highlight the shortcomings of CFROI indicator.

As noted, there isn't at present a universally recognized method to measure the performance of the company, but only a generous concept, that of creating value, which defines the company's performance and for which an attempt is made to identify the most loyal and easy to calculate indicators of measurement.

1. Economic value added - EVA, Market value added – MVA

The creation of value for shareholders has become a major analysis criterion of the great companies' performances. This concept is based on a truth valid for the entire economic environment: companies create value as long as they ensure the remuneration of capital at a rate of return that is superior to its cost. In order to understand it, the company investment is seen as a liquidity flow influencing process with the conviction and hope that it will ensure a reverse flow, but of superior dimension. [2:154]

The creation of value by the company is the main purpose of its activity and is based on the idea that a company is really profitable and therefore creator of wealth when its activity creates a return superior to the cost of the financial resources it uses but especially of the equity made available by its shareholders.

The emphasised margin (positive or negative) does not appear in the account of results and shows that the financial resources employed, especially those made available by shareholders, are remunerated or not at the required (or expected) level according to the return possible to be obtained on the market for comparable investments, with the same risk.

The concept of economic value added has largely spread over the last years in the literature and practice of the American and European Community countries economy.

Economic value added

Economic value added is an economic category that started around 1980s and was adopted for the first time by Coca-Cola company that argued its option as follows: "Our reason to be is precise: the creation of a long-term value or profit for our shareholders. We consider that the total output to be created for them directly depends on the economic profit we create. We create the economic profit as the fraction of the operating result after taxes that excludes the global capital cost" [3;14]. Although recent, the idea was formulated at the end of the 19th century by Alfred Marchal who defined the economic profit as "the invested capital multiplied by the difference between the operational return of the invested capital and the capital cost."

Regarding the economic value added Peter Druker states that "it is a vital measure of the production factors global productivity reflecting all dimensions by means of which managers can create value"[3;55].

The economic value added is the dimension of the surplus of value produced by an company for a given period of time that may recur to one or more financial years and is able to assess the management quality. The economic value added measures the difference between the return on the assets used in production and the rate of output expected and required by the shareholders who invested their liquidity for the financing of the company assets. The economic value added is a means of measuring the company performance by the deduction from the result of expenses representing the cost of total capital used in the operating process. Thus, it forms the framework of a complex system of financial management on the results liable to guide all decisions taken from the board of directors' level to the working place level, to create as much wealth as possible (positive financial results) for shareholders, to improve the existence of the company staff, of its clients and collaborators. Even more, it is a practical way of harmonizing the interests of those who take part in its creation and which are shared among them. For this reason the economic value added is considered to be the most socialist form of capitalism [3;39].

The economic value added is what the economists name opportunity cost, that is the output the investors hope to obtain if they place their liquidity in a bond portfolio with comparable risk, to which they renounce in order to hold shares at the analysed company.

The reason to exist of a company, by means of EVA, has to be: the creation of real value in the shareholders' long term profit. Thus, the creation of value is the target, and EVA is the modality. It is not enough to state that it is necessary to obtain profit to finance growth, it must be explained and understood that the total of capital employed has a cost that has to be recovered from the profit. The

implementation of an evidence and analysis based on EVA consists in the implementation of the “4M’s”:

1. Measure – supposes the implementation of a system of collection and processing of economic data for the calculation of EVA. First of all, EVA measurement centres have to be established. The risk is to make a too great segmentation, fact that makes EVA analysis more difficult, but also of observing that EVA centres have an egocentric behaviour in trying to maximise their part of EVA to the detriment of the company global performance.

2. Management – the means by which EVA orients managers to the best decisions is the unitary calculus of all capital cost. “The capital expenses force them to use assets even more carefully [...]. The use of a single measure strengthens the communication channels, accelerates decisions and favours teamwork.”[4]

3. Motivation – supposes the existence of a system of stimulation and remuneration that will determine the employees’ behaviour. This mainly consists in “relating” the level bonuses to EVA realization. “The remuneration strategy dominant today is the one called competitive salary plan. In this type of plan, the company establishes the remuneration level according to the rest of the branch. Then, it sets a remuneration formula containing a basic salary, a bonus and a super-offer of shares. “Generally, the bonus is not granted until a minimum of 80% of the planned profit is obtained.”[5]

4. Mentality refers to the change of everybody’s behaviour, both managers and employees, in order to find performance improvement solutions. It is viewed the creation of a culture, meaning the creation of value. “EVA – a life style for the company.”

Mathematically, EVA corresponds to the residual wealth after making corrective adjustments, deducting the expenses corresponding to cost of the capital employed, which are debts or equity. The result is excess or lack of profit on a period, as compared to the cost of the capital employed in order to obtain these results.

The formula for calculating EVA is as follows:

$EVA = REDI - K * CMPC$ where:

- EVA – economic value added,
- REDI- Net Operating Profit After Taxes
- K- Capital (equity +financial debts)
- CMPC- Average Cost of Capital

In order to emphasize other factors influencing the economic value added but for some commentaries, as well, its formula can also be modelled, as follows. [6] Being the difference between the net operating profit and the cost of the employed capital, it can be written as follows:

$$EVA = RE(1 - i) - K * CMPC \quad \text{where:} \quad (1)$$

RE- operating result

i - Tax on profit

From the above formula, it results that the economic value added can take one of the following values:

- $EVA > 0$ favourable situation; shareholders, managers, employees and collaborators obtained positive financial results;
- $EVA \leq 0$ case when the company registers inferior or equal performances as compared to those expected on the market. Therefore, the company does not create value for shareholders, this being an unfavourable situation for the economic agent.

Thus approached the economic value added is a management indicator allowing the assessment of performances of an economic agent or of an investment act.

For finance specialists it represents a method of analysis and decision on investments by means of the calculation of the margin representing the difference between the obtained income and normative costs.

For the company, the economic value added leads to the awareness of the operative managers on the global cost of the financial resources made available. These objectives are usually set previously and we can find them in the size of some indicators composing intermediary balances of administration, such as: turnover, operating result, gross operating surplus that have to be maximized.

Neither financial debts nor equity are free for an economic agent. Equity has to be remunerated in accordance with the demands of the market.

In financial terms, starting from relation (1), knowing that the measure CMPC is calculated using the below relation:

$$CMPC = \frac{CP * R_{cp} + Df * d(1 - i)}{CP + Df} \quad \text{where:}$$

CP- equity

R_{cp}- return rate of an investment title

Df - financial debts

d - interest rate

and that $R_{cp} = R_0 + \beta(R_m - R_0)$ where :

R₀ - rate without risk (rate of state liabilities)

R_m- average return on the stock market

β - Risk coefficient of the value market

We replace in formula (1) the equivalent of the average cost of capital and we obtain the following formula:

$$EVA = RE(1 - i) - [CP * R_{cp} + Df * d(1 - i)] \quad (2)$$

$$\text{or } EVA = (RE - Df * d)(1 - i) - CP * R_{cp} \quad (3)$$

As the product Df*d represents financial expenses born by the company and the formula (RE - Df*d)(1-i) corresponds to the current net result (NR) of the company, the relation (3) becomes:

$$EVA = NR - CP * R_{cp} \quad (4)$$

In relation (4) we factorize CP and

$$EVA = CP \left(\frac{NR}{CP} - R_{cp} \right) \quad (5)$$

As the ratio $\frac{NR}{CP}$ expresses the return of equity the relation (5) becomes:

$$EVA = CP(r_e - R_{cp}) \quad (6)$$

In accordance with relation (6) an economic agent will have a positive economic value added, therefore it creates value for shareholders, only when the level of return on equity is higher than the return on investment.

The model can be also implemented in the stock exchange companies, a case when, operating a series of mathematical logistics, other specific factors can also be emphasized in relation (4)

In the field of stock investment, relation (4) is valid, mentioning that, for a stock-quoted company, equity (E) of market value means in fact stock market capitalization. (SMC)

$$EVA = NR \left(1 - \frac{CP}{NR} * R_{cp} \right) \quad (7)$$

As the ratio $\frac{CPB}{RN} = PER$ (Price Earnings Ratio) and shows the term of recovery of investment in shares, formula (7) can be written as follows:

$$EVA = RN(1 - PER \cdot R_{cp}) \quad (8)$$

At least two arguments can result from formula (8)

- the higher the PER of an company is, the more reduced is its potential to create economic value added,
- the higher an company risk is, the lower is its capacity to create positive economic value added, therefore the return expected by investors is a risk increasing function.

From the formula of calculating the economic value added (1) we may state that, in order to maximize the result, an economic agent must operate in the following directions:

- the maximization of the operating result by an efficient management,
- the diminution of the capital employed to no more than necessary, fact that requires:
 - the management and control of the outfit of working capital in order to limit as much as possible the capital employed for its financing,
 - setting optimal ratios between equity and financial debts used for the financing of the company, knowing that the first one are more expensive than financial debts, and the latter generate a certain dependence on banking units.
- the diminution of the risk perceived by investors

The calculation of the economic value added requires the use of data reported by accounting syntheses, profit and loss account and balance sheet. The determination of its value implies several stages.

A first stage in the calculation of the economic value added is the determination of the invested capital or the value of the assets used in operation that comes from the summing up of the net fixed assets and of the necessary working capital. Then, there will be determined the operational return on invested capital by relating the operating result to the sum of invested capitals, what in the Anglo-Saxon literature is known as “return on capital employed ROCE”.

By the difference between the operational return and the average cost of capital there results a first indicator of return, of obtaining a superprofit. It is the so-called wealth creation or destruction indicator. Its multiplication with the mass of invested capital leads to economic value added.

The use of the indicator in order to characterise the performances of economic agents brings in the research field new aspects, such as:

- The economic value added takes into consideration all capital expenses, taking into account the cost of all resources necessary to obtain income and thus renders an image to the global productivity of all production factors. By means of EVA the added value is measured after the deduction of all costs including the cost of capital. The economic value added shows the products, activities, services whose productivity is higher and, as a consequence, creates a more significant value;
- The economic value added reunites the costs of functioning and the costs of capital in one measure of the profit expressed by its monetary mass and not only by a rate of return. The starting point in calculating the economic value added is the operating result after taxes. This result is determined after the deduction of taxes and adjustment of equipment. The passage from the operating result to the economic added value consists in subtracting capital expenses that are calculated by applying a percent on the permanent capital necessary for the operation. The difference represents the surplus (or insufficiency) of profit as compared to costs.
- The economic value added realizes a concentration of all decisions for the maximization of its size. The integration in the system of indicators leads to the use of a unique measure as a basis for all decisions, all employees are gathered around a single purpose, that is the creation of value. Managers have to deal with problems such as: speed of rotation, margins, costs, the duration of production cycle, sales.

- The most important purpose of economic value added management is its increase that can be achieved by:
 - The reduction of costs and taxes in order to increase the result of the financial year without increasing the sum of capitals, fact that supposes a more efficient functioning with greater returns on the capital employed by the company;
 - Making those investments that generate a growth of the financial year result, growth which is superior to the growth of capital expenses. this means investing in viable development projects that could generate positive economic value – these investments producing a return superior to the capital cost;
 - Ceasing to invest in fixed assets and activities whose output is not equal or superior to the one of the capital cost, possibly to proceed to the sale of fixed assets, obtaining thus an acceleration of the capitals' speed of rotation;
 - The optimum structure of the balance sheet able to minimize the cost of capital, that is the ratios between debts and equity, the improvement of the used methods for the distribution of treasury to shareholders (dividends or the redemption of shares), the type of indebtedness that can be used as the following situations can occur: a company whose risk is relatively low and has a stable cash-flow can afford a high indebtedness as compared to its equity while a company with a fluctuating cash-flow has to limit its indebtedness so that it can cover the interest in the difficult periods. This means that a financial structure is most favourable if it allows the company to limit as much as possible the cost of its capital according to the percentage of its debt and the risk of its activity.

The analysis by means of economic value added came to its apogee in the 1990 [7;284], after that moment its attraction starting to decrease. However, there are still preoccupations in this field. Thus, the French literature upholds the keeping and use of this indicator under the name of global added value (valeur ajoutée globale) [8;46-47] what allows the appreciation of the global surplus of wealth created by the company through its activities, and the Romanian economic literature presents a system of indicators used by the company in the analysis of the economic value added [9;314-331]. The economic value added has both advantages and disadvantages. Among its advantages, we mention:

- The economic value added determines a creation of wealth measurable in cash and not in percents,
- The economic value added allows a more proper measurement of the company performances as compared to some value indicators of production and stock exchange indicators, being based on elements on which managers have a real decisional power, such as the invested capital and the financial structure,
- Establishes a governing system of the company that gathers both managers and employees to cooperate in order to obtain the best performances, the unique objective being the increase of its value,

As limits or disadvantages, we can mention:

- Some authors consider it as a modern version of the rate of good-will calculated as a difference between the venal value and the accounting value of the company,
- It ignores the existence of some hidden options, the possibility to abandon or delay an investment that can have as an effect an increase of economic value,
- Supposes that the financial structure of the company remains unchanged all along the administration period,
- It is a static instrument of measure for the creation of value, an instrument of assessing the creation of instantaneous value and disfavours developing, investing companies.

Briefly, we can state that EVA is more than a system of measurement. It is an instrument of changing the managers' way of thinking, determining the creation of a new behaviour. "One of the great virtues of EVA is that it makes the music of financial theory available to operational managers." [10]

Market value added

When the company realizes judicious investments that is the market value of these investments is superior to the cost of its realization, entered in accounting, it is possible to appreciate that a value-creating process took place at the economic agent. The market value added (MVA) corresponds to this growth of value measured as a performance with regard to the market.

According to the concrete situation of the company, quoted or not on the stock exchange, the calculation formula of the market value added is different.

If the company is quoted and its shares are systematically dealt on the stock exchange, the market value added is determined by the comparison of the market value with the value of invested capital.

Therefore, the market value added of a quoted company can be calculated as follows [6;99-100]:

MVA = Stock exchange capitalization (CB) – Accounting Net Assets (ANC), or

MVA = Market value of capital employed (VB) – Accounting value of capital employed (CA).

Market value of capital employed can also be calculated as follows:

$$VB = A_c * C_b \text{ where:}$$

A_c – average number of shares in circulation,

C_b – the exchange rate of a share.

Between the economic value added and the market value added there is a direct correlation presented in specialty papers. Knowing that, with few exceptions, the economic value added reflects a growth of value for shareholders for a quoted company, MVA can be considered an estimation of the actual value of future flows of EVA that the latter will create and that can be calculated by means of the following model:[6;100]

$$MVA = \sum_{t=1}^{t=n} \frac{EVA}{(1+k)^t} \text{ where:}$$

k – the average cost of capital,

t – number of years of time horizon

If the company is not quoted on the stock exchange the market value added is considered to be the present value of future flows generated for owners. As a result, the capital employed comprises the initial capital invested by shareholders (C_i) and the present value of reinvested profits (P_{ri} that is $CA = C_i + P_{ri}$, and $CA = VB - (C_i + P_{ri})$)

The correlation between the economic value added and the market value has implications on the economic value of the company. Researches in the field have shown that companies able to create economic value also register a favourable evolution of the market value.

2. Indicators for measuring the entity's performance promoted by Boston Consulting Group and HOLT Value Associates from Chicago (TSR – Total Shareholder Return and CFROI – Cash flow Return on Investment)

The indicator *Total Shareholder Return* (TSR) is widely used to determine the economic benefit of investment in shares, provided that the investor reinvested the received dividends, in a consistent manner and throughout the whole period of calculation.

This indicator is used to compare the performance of the securities issued by different companies or to report the performance of the securities of some companies to the appropriate performance of the entire sector of activity (synthesized, for example, by Stanford Poor's 500 index) because, unlike the simplistic method involving only the calculation of updated benefits, the determination of the TSR takes also into account the dividends brought by the respective actions.

The TSR indicator can be expressed in two ways:

- as an annual rate of return of the held shares;

- as total rate of return, for the whole period of share holding, from purchase to the moment of TSR calculation (in the case where the shares are held for a period of more than 1 year). It is determined according to the *formula*:

$$TSR = \frac{\text{variation of stock market capitalization} + \text{dividends}}{\text{initial stock market capitalization}} \times 100$$

It is recommended to analyze the TSR for a period of three years, sufficient to reflect the changes and to remove the short-term volatility of the company shares.

The Total Shareholder Return was developed by the Boston Consulting Group and rivals the market value-added. The promoter of this indicator has selected a number of companies on which he tracks the evolution of TSR: Avon, Beiersdorf, Cadbury, Clorox, Coca Cola, Colgate, Danone, Eridania, Gillette, Heinz, Kao, L'Oreal, Lion, Nestle, Pepsico, Philip Morris, Procter & Gamble, Reckitt Benckiser, Sara Lee, Shiseido and Unilever.

The use of this indicator is indicated as it bridges the interests of the company management with those of shareholders. A good value of this indicator is assessed according to the values recorded by similar companies. As its formula of calculus uses as term the price of shares, it goes without saying that all the factors which influence the stock market will also affect the value of the TSR.

The criticism to be made to this indicator is that it does not necessarily reflect the company financial performance, but rather the expectations of the market on the future of the company.

The Anglo-Saxon literature [11:9] describes the CFROI indicator (*Cash Flow Return on Investment*) as being built on the theory of cash-flows, and that has two advantages related to the evaluation of dividends:

- it overcomes the shortcomings of the CAPM (Capital Asset Price Management) model concerning the determination of capital cost;
- it is not affected by the lack of relevance of accounting data, which must be processed to shift from fiscal significance to the purely economic one.
- The CFROI indicator specific to a company activity represents the internal rate of return of the cash flows afferent to the existing investments. In general, in order to assess the quality of made investments, these cash flows must be reported to the cost of invested capital. There are two methods for calculating cash flow return on investment:
 - The first method supposes the calculation of CFROI using *four* variables:
 - *gross invested capital (CBI)* in existent assets. Its gross value is determined by adjusting the residual value of assets obtained through investment with amortization recorded up to that point and with depreciation due to inflation.
 - *Gross cash flow (FNB)*. It is considered the gross cash flow generated in the current year by the gross invested capital and it is calculated according to the formula:
Gross cash flow = net operating result + amortization
 - the standardised life duration of the existent assets (*n*) through the initial investment. It is usually expressed in years.
 - The residual value of assets (*VR*) at the end of the standardised life duration. The residual value is expressed in updated terms and is generally regarded as being part of the capital originally invested.

According to this method, we define *the CFROI representing that rate of internal return that makes the present net value of gross cash flow and of residual value to be equal to the value of the gross invested capital.* .

- The latter method of determining the CFROI indicator is based on the setting of an annuity, called *economic depreciation (De)*, to cover the cost of replacing the assets at the end of their standardised life duration.

$$De = \frac{\text{Replacement cost} \times k}{(1 + k)^n + 1}, \text{ where:}$$

Replacement cost = CBI – VR;
k – the cost of capital, expressed in percents;
n – standardised life duration.

Taking into consideration those previously defined, the formula for calculating the cash flow return on investment is as follows:

$$CFROI = \frac{FNB - De}{CBI}$$

The two methods yield similar results. The difference that can be observed in practice results from the fact that the first method assumes that the reinvestment of generated cash flow is made at a rate of return equal to the internal rate of return, while the second method uses as rate of return, to which it reinvests the cash flow, the cost of capital, at least for the portion of cash flow intended to cover the cost of replacing assets.

The relationship between the *cash flow return on investment* and *the company value* is less intuitive than the relationship between the economic value added and the company value.

There is the possibility for the company managers to carry out activities that include the growth of CFROI, while the value of the company is reduced.

In practice the following cases commonly occur:

a) *The reduction of invested gross capital.* If the invested gross capital is reduced in assets, cash flow return on investment can be increased. Taking into account the relationship of calculating the company value (V),

$$V = CBI - CFROI$$

it follows that it is possible for the company value to decrease based on the growth of the cash flow return on investment .

b) *The sacrifice of future growth.* Even to a greater extent than the economic value added, CFROI refers to the existing assets and not to the future growth. If the company managers opt for increasing the CFROI at the expense of reducing the future growth the company value may decrease.

c) *The influence of risk.* The comparison of the cash flow return on investment to the cost of capital in order to observe whether the company creates or destroys value represents only a partial consideration of the risk. As the company value is still given by the updated net value (VAN) of future cash flows, the firm, while trying to protect itself by taking into account greater costs of capital, may finally lose value, if the updated value of capital cost is superior to that produced by increasing the CFROI.

In *conclusion*, we can state that a growth of CFROI does not indicate itself an increase in the company value, whereas it may be that the increase in cash flow return on investment resulted according to a lower economic growth and/or a higher risk.

Between the cash flow return on investment and the market value of the company there is a certain connection. Generally, the companies benefiting from a high cash flow return on investment are rewarded by the market with a higher value. However, not the market value itself is the one that creates profitability, but the changes in the market value of the company.

In the case of modifications in the market value of the company, the correlation between the changes of the indicator economic value added and the changes of value tends to become much weaker.

Since market values reflect investors' expectations, there is no reason to believe that firms which have a high level of CFROI will benefit from a surplus of profitability.

The correlation between the changes in the cash flow return on investment and the surplus of profitability is hardly appreciated. Any increase in the CRFOI is a positive signal to investors and, theoretically, companies with the highest levels of cash flow return on investment should obtain a surplus of profitability

However, in reality, the current changes in the value of CFROI should be assessed in relation with the market expectations. Thus, there can be set the following „rules” deduced from practice:

- if CFROI increases, but less than the investors expected, the market value of the company should be reduced;
- if CFROI decreases, but less than the investors expected, the market value of the company should increase.

3. Indicators for measuring the entity performance promoted by Applied Finance Group (Economic Margin)

The *Economic Margin* Indicator was developed by the consultancy firm Applied Finance Group in trying to measure the company performance and to determine the company value. It is determined according to the formula:

$$Me = FNE - k$$

For the calculation of the indicator and to ensure the comparability between the results obtained at level of the various companies it is recommended to correct the accounting biases that can arise due to: capital structure; age, the duration of life and substance of fixed assets; the volume of stocks; the cost of capital.

The creators of the economic margin indicator present the advantages of this indicator as opposed to the disadvantages identified at the level of cash flow return of investment.

Table 1

<i>Advantages of economic margin</i>	<i>Disadvantages of Cash Flow Return on Investment</i>
The economic margin does not use the specific assumptions of the internal return on investment calculation.	CFROI is an indicator based on internal rate of return, which involves the production of forecasts and working assumptions.
The economic margin does not use assumptions that come into contradiction with the competition between companies	CFROI does not take into account the competition between companies, because it unreasonably supposes equal costs of the capital used by different companies.
The economic margin treats differently the operating activity and the financial activity.	CFROI does not distinguish between the operating activity and the financial one.
The economic margin is based on the determinants of company value: profitability, competition, the development capacity and cost of capital, which are considered easier to foresee.	CFROI requires a complicated way of calculation.

Conclusion

Without making a choice between the six modern indicators for quantifying performances from the investors' perspective, the literature highlights the following *issues*:

- as these indicators focus particularly on market values of the shares of quoted companies and on cash entries (as part of the cash flows), they do not form the object of the so-called „creative accounting”;
- the presented indicators seem to make it easy for comparisons between companies in the same country, but also between companies in different countries;
- among all analysed indicators, the market value added (MVA) is the best-known indicator for quantifying the performance of quoted companies from the investors' point of view. Its proliferation is due to the experience enjoyed by its promoter, Stern Stewart Office.
- the alternative and rigorous use, in case studies, of the following indicators: EVA, TSR, CFROI, MVA and EM has shown that, in general, the obtained results do not differ significantly. If there are however big differences, they are caused by the heterogeneous choice of periods of analysis and assumptions on which the accounting information is restated.

It is generally accepted that the modalities of restating the accounting information and the complexity of the endeavour is the weakness of many modern indicators for quantifying company performance, whereas the accuracy of the results depends on the strict compliance with the number of restatements imposed by the creators of the indicators and the adopted work hypothesis. From this point of view it

should be noted that the adaptability of some of these indicators to the inflationist conditions of our economy is partly compromised, since in order to provide relevant information they need to use the data of a stable economic environment.

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Bankruptcy Risk Assessment

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Abstract: Bankruptcy Risk represents the incapacity to cover company's obligations resulted from its current operations, endangering the continuity of the normal activity.

Bankruptcy risk analysis can be done in a conventional manner, based on economic methods, or through techniques based on discriminated function analyses and the calculation of score function (Altman model, Conan and Holder model, model Central bank balances France and The BCR).

Keywords: bankruptcy risk, score function, liquidity, analyse models

Preliminaries

Bankruptcy of a company is the result of a continuous process of degradation of its financial-economic status, a process which over 70% of cases can be predicted based on the following symptoms: excessive costs, low value added, profitability insufficient, excessive investment, lack of self-financing, lack of liquidity, increased leverage, solvency, etc. fall.

The symptoms preceding the bankruptcy business reflects the ongoing deterioration in two major plans, namely: profitability and liquidity to. In this context, the literature suggests a model for assessing the health of the company based on profitability, liquidity correlation, shown in Figure no.1.

Liquidity	EFFECTIVNESS	
	+	-
+	1 „on form”	3 „chronicle illness”
-	2. „passing illness”	4. „close end”

Figure no. 1. Model of the health estate of the enterprise

Analysis based on this model allows dividing companies into four main categories, namely [8, 441]:

Businesses located at position 1 are companies with good liquidity and profitability which allows activity in terms of efficiency and performance while categories 2, 3 and 4 are considered in difficulty.

Businesses in category 2 are profitable, but have significant liquidity problems. In general, companies are young, rapidly growing, whose investment assets for operational and working capital necessary to exceed their ability to finance itself. Insufficient equity does not allow them to use capital from third parties. These companies are less vulnerable to bankruptcy risk (hence the name "transient condition"), provided that they can overcome liquidity problems, to attract foreign capital and investment to stagger.

Businesses in category 3 have chronic problems of profitability, due to difficulties in maintaining market share and high fixed costs in total expenses of the company. Erode capital losses carried forward. However, if the proceeds paid to cover expenses, if they limit investment and are not constrained by the creditors, their liquidity is satisfactory, leaving the company time to restructure in order to improve profitability. When the impairment is added to profitability and cash flow negative due to investments necessary to achieve or refund debt previously contracted, businesses are facing chronic financial bottlenecks are likely to fail.

Companies on both cumulative disability category 4 insufficient profitability and lack of liquidity. They can not only survive in conditions of profound restructuring, followed by a significant input of external financial resources. These are companies that give the most obvious signs of bankruptcy.

The methodology of determining the risk of bankruptcy

Bankruptcy risk analysis can be done in the classical manner, based on economic methods, or based on risk prediction methods based bankruptcy discriminant analysis techniques, the underlying score function calculation.

Economic methods of analysis of bankruptcy risk are based on static analysis based on financial balance or functional, or dynamic, by analyzing the flows of finance panel.

According to economic theory a company is solvent whether the following financial equality:

$$\begin{aligned} \text{Fixed asset} &= \text{Permanent Equity} \\ \text{Working capital} &= \text{Operating Liabilities} \end{aligned}$$

In practice, compliance with such equality is difficult because it requires perfect timing of receipts and payments. Most of the times between the time of payment and collection gaps exist that require the establishment of a reserve to meet the "irregularities maturity" reserve called "working capital" (working capital property). In this context, the working capital is an important indicator in assessing the financial situation of the company, representing the continuing financial resources to ensure permanent revolving financing current assets.

Static analysis of bankruptcy risk is completed based on solvency and liquidity ratios.

Analysis of the functional state of bankruptcy risk used as operational tools needs working capital and treasury.

Dynamic analysis of bankruptcy risk enables diagnosis and explanation of financial imbalances, as evidenced by static analysis. The two types of analysis are complementary and should be made at the same time. Bankruptcy risk analysis is based, in this case, on the rates and indicators of debt repayment and financial autonomy.

Economic methods of risk analysis allow evaluation of the past results of the company, without providing information about the future difficulties it might face. In this respect, studies conducted in recent decades have sought to identify a method for predicting the risk of bankruptcy, called scores method, based on the use of statistical methods to analyze the financial situation, based on a set of rates.

Scores method aims to provide predictive models for risk assessment of a business bankruptcy. This method is based on statistical techniques of discriminant analysis and its application requires observing a group of companies consists of two distinct groups: a group of companies with financial difficulties and a group of companies "healthy". For each of the two groups a set of rates is established and then determines the best linear combination of rates to distinguish the two groups of companies.

Following the application of discriminant analysis to obtain a score for each company Z , which is a linear function of a set of rates. Distribution of scores allows different companies to distinguish healthy from those in difficulty.

Z score of each undertaking is determined by the function:

$$Z = C_1X_1 + C_2X_2 + C_3X_3 + \dots + C_nX_n$$

where: x = different ratios involved in analyse
 C = weighting coefficient of each ratio

In economic theory has been developed a series of models based on scores method, of which we present below: the Altman, Conan and Holder model, the Model of Central balances of the Central Bank of France and the BCR Model.

The Altman Model is one of the first scoring functions used in risk analysis of bankruptcy and was developed in 1968 by the American Professor EI Altman. In developing this model, Altman used the information obtained from studying a large sample of companies, some of which went bankrupt, while others have survived, noting that the analysis based on several variables made with 5 indicators allowed the provision of 75 % of bankruptcies, 2 years before their production. The model is particularly applicable to companies listed on the stock market. [10, 427]

The function used by Altman has the following form [11, 197]

$$Z = 3,3 * R_1 + 1,4 * R_2 + 1,2 * R_3 + 0,6 * R_4 + 0,999 * R_5.$$

where:

$$R_1 = \frac{\text{Current Assets}}{\text{Total Assets}} \text{ reflecting the flexibility of the enterprise}$$

$$R_2 = \frac{\text{Reinvested Profit} + \text{Reserves}}{\text{Total Assets}} = \frac{\text{Self-financing}}{\text{Total Assets}} \text{ internal financing capacity}$$

$$R_3 = \frac{\text{Gross Profit}}{\text{Total Assets}} = \frac{\text{Operating Income}}{\text{Total Assets}} \text{ that measures the efficacy of the assets}$$

$$R_4 = \frac{\text{Market Capitalization}}{\text{Total Liabilities}} = \frac{\text{Market Value of Equity}}{\text{Total Liabilities}} \text{ financial independence}$$

$$R_5 = \frac{\text{Turnover}}{\text{Total Assets}} \text{ that measures the rotation speed of the assets}$$

The values of the Z function are interpreted as in Table no. 1.

Table no. 1

Interpretation of the Z function values		
Function value	Enterprise situation	Bankruptcy risk
$Z < 1,81$	Difficult - Insolvability	Imminent - maxim
$1,81 < Z < 2,675$	Instable - difficulty	Non - determined
$Z > 2,675$	Good - Solvability	Reduced- Inexistent

Determining the risk of bankruptcy for Medical SC can take on Altman score functions. Table no. 2 shows the algorithm for calculating the Altman Z score based on the model.

Table no.2

Determining bankruptcy risk for SC Medical SA based upon the Altman score function								
Nr.	Indicator	UM	Symbol	Analyzed period				
				2004	2005	2006	2007	2008
1	Total assets	thousands RON	At	145.114	173.894	189.137	211.821	260.637
2	Working capital	thousands RON	Ac	83.422	104.752	108.155	126.224	153.844
3	Gross profit	thousands RON	RB	14.431	16.078	17.577	23.725	30.074
4	Re- invested profit	thousands RON	Pi	3.937	5.124	6.788	12.936	13.737
5	Value /share at 31.12	RON	v	0,2100	0,2250	0,4820	0,9650	1,7200
6	No. of shares at 31.12	shares	N	344.181.550	344.181.550	404.353.148	454.897.291	454.897.291
7	Stock exchange capitalization	thousands RON	CB=N*v	72.278	77.440	194.898	438.976	782.483
8	Turnover	thousands RON	CA	108.236	121.495	136.029	163.498	195.678
9	Total liabilities	thousands RON	Dt	56.749	66.787	62.918	56.230	71.210

Nr.	Indicator	UM	Symbol	Analyzed period				
				2004	2005	2006	2007	2008
10	R ₁		Ac/At	0,575	0,602	0,572	0,596	0,590
11	R ₂		Pi/At	0,027	0,029	0,036	0,061	0,053
12	R ₃		RB/At	0,099	0,092	0,093	0,112	0,115
13	R ₄		CB/Dt	1,274	1,160	3,098	7,807	10,988
14	R ₅		CA/At	0,746	0,699	0,719	0,772	0,751
15	Z=3,3R ₁ +1,4R ₂ +1,2R ₃ +0,9R ₄ +0,6R ₅			3,648	3,603	5,268	9,676	12,500

From the scores analysis in the period 2004-2008 it is shown that the function Z-score had higher values than the threshold of 2.65, showing a good financial situation and risk of bankruptcy exist.

The Conan – Holder Model is recommended for industrial enterprises with a number between 10 and 500 employees. The model was developed in 1978 on a sample of 190 small and medium-sized, half of which bankrupted in the period 1970-1975. The model is based on the following function:

$$Z = 0,24 * R_1 + 0,22 * R_2 - 0,16 * R_3 - 0,87 * R_4 - 0,1 * R_5$$

where: $R_1 = \frac{\text{Gross outcome of exploitation}}{\text{Total Liabilities}}$

$$R_2 = \frac{\text{Permanent Capital}}{\text{Total Assets}}$$

$$R_3 = \frac{\text{Current Assets - Inventory}}{\text{Total Assets}}$$

$$R_4 = \frac{\text{Financial Expenses}}{\text{Turnover}}$$

$$R_5 = \frac{\text{Staff Expenses}}{\text{Value added}}$$

Based on this model can assess the vulnerability of the company determined the value of the function-score in Table 3:

Table no. 3

Appreciating company vulnerability based on the score function value		
Value function	Bankruptcy risk situation	Bankruptcy probability
$Z > 0,16$	Very good situation	Sub 10%
$0,1 < Z < 0,16$	Favourable situation	10% - 30%
$0,04 < Z < 0,1$	Alert situation	30% - 65%
$-0,05 < Z < 0,04$	Danger	65% - 90%
$Z < -0,05$	Failure	Over 90%

The informational valences of the scores method should not be overestimated, as the discriminant analysis reduces the basic information by selecting the most significant rate, which it considers constant over time, and the company is an economic and social system that acts in a complex environment with more many variables that affect health and its weaknesses.

It is therefore recommended method scores in parallel with classical methods of diagnosis (such as financial stability analysis, profitability analysis, analysis of financial flows, etc.) And, finally, an assessment of the company.

In the banking methods of analysis, the function z is considered as part of an overall assessment, analysis and critical assessment is completed with the following elements: business management, financial management, reporting accountants, relations with creditors, the conditions in which the activity and degree of satisfaction of employees.

Determining the risk of bankruptcy for SC Medical SA on Conan-Holder model is presented in Table. 4.

Table no. 4

Determining the risk of failure of the model SC Medical SA Conan-Holder

No.	Indicator	UM	Symbol	Analyzed period				
				2004	2005	2006	2007	2008
1	Total assets	Thousand RON	At	145.114	173.894	189.137	211.821	260.637
2	Working capital	Thousand RON	Ac	83.422	104.752	108.155	126.224	153.844
3	Turnover	Thousand RON	CA	108.236	121.495	136.029	163.498	195.678
4	Total liabilities	Thousand RON	Dt	56.749	66.787	62.918	56.230	71.210
5	Permanent capitals	Thousand RON	CP	106.799	121.614	130.654	157.416	191.975
6	Gross exploitation glut	Thousand RON	EBE	27.060	29.580	32.741	51.729	56.936
7	Inventory	Thousand RON	S	20.852	22.141	23.779	22.226	18.333
8	Financial expenses	Thousand RON	Cf	4.881	3.549	2.852	4.272	3.363
9	Staff (HR) expenses	Thousand RON	Cp	22.826	27.520	31.645	37.663	43.382
10	R ₁		EBE/Dt	0,477	0,443	0,520	0,920	0,800
11	R ₂		CP/Ac	1,280	1,161	1,208	1,247	1,248
12	R ₃		Ac-S/At	0,431	0,475	0,446	0,491	0,520
13	R ₄		Cf/CA	0,045	0,029	0,021	0,026	0,017
14	R ₅		Cp/CA	0,211	0,227	0,233	0,230	0,222
15	Z=0,24R₁+0,22R₂-0,16R₃-0,87R₄-0,1R₅			0,405	0,390	0,421	0,528	0,512

In the period under review score function-Conan-Holder model determined according to the recorded values ranging from 0.405 in 2004 and 0.512 in 2008, the upper threshold of 0.16, proving a very good financial situation and bankruptcy risk slightly under 10%.

The Model "Centrale du Bilans de France" was developed by the National Bank of France during 1975-1980 based on analysis of financial ratios of 3,000 industrial enterprises in a period of three years before bankruptcy. The model allows predicting the risk of bankruptcy for a three-year horizon based on eight variables (rates) and measures the degree of similarity of business the company analyzed the normal or in bankruptcy. According to this model function-score is calculated by the expression [12, 267]:

$$100 Z = -1,255 R_1 + 2,003 R_2 - 0,824 R_3 + 5,221 R_4 - 0,689 R_5 - 1,164 R_6 + 0,706 R_7 + 1,408 R_8 - 85,544$$

where: $R_1 = \frac{\text{Financial Expenses}}{\text{Gross outcome of exploitation}}$

$$R_2 = \frac{\text{Permanent Capital}}{\text{Total Assets}}$$

$$R_3 = \frac{\text{Self financing capacity}}{\text{Total Assets}}$$

$$R_4 = \frac{\text{Gross outcome of exploitation}}{\text{Turnover}}$$

$$R_5 = \frac{\text{Medium balance suppliers}}{\text{Goods buying}} \times 360$$

$$R_6 = \frac{\text{Value added modification}}{\text{Vad}_0} \times 100 = \frac{\text{Vad}_1 - \text{Vad}_0}{\text{Vad}_0} \times 100$$

$$R_7 = \frac{\text{Medium balance clients}}{\text{Turnover}} \times 360$$

$$R_8 = \frac{\text{Tangible Fixed Assets}}{\text{Value Added}}$$

Function value Z-score reflects the normal likelihood respectively of difficulty of the enterprise, as follows:

- $Z > 0$: normal probability = 76.1%, the probability of difficulty = 23.9%;
- $Z < 0$: normal probability = 20.6%, the probability of difficulty = 79.4%.

Table no. 5

Determining the company's situation based upon the value of the Z score function:

Z score value	Enterprise situation	Bankruptcy risk (%)
$Z > 0,125$	Normal	10-45%
$-0,25 < Z < 0,125$	Incertitude	45 + 70%
$Z < -0,25$	Risky	70-100%

Table no. 6 is presented the algorithm for calculating the score functions in the form balances Central Bank of France for SC Medical SA in 2004-2008.

Table no. 6

Determining the score function for SC Medical SA according to the Central Bank of France

Nr.	Indicator	UM	Symbol	Analyzed period				
				2004	2005	2006	2007	2008
1	Total assets	thousand RON	At	145.114	173.894	189.137	211.821	260.637
2	Turnover	Thousand RON	CA	108.236	121.495	136.029	163.498	195.678
3	Permanent capitals	thousand RON	CP	106.799	121.614	130.654	157.416	191.975
4	Gross outcome of exploitation	Thousand RON	EBE	27.060	29.580	32.741	51.729	56.936
5	Self-financing Capacity	thousand RON	CAF	15.954	17.452	21.411	37.766	44.480
6	Financial expenses	Thousand RON	Cf	4.881	3.549	2.852	4.272	3.363
7	Medium balance suppliers	Thousand RON	F	12.818	18.814	23.191	17.970	17.459
8	Goods buying	housand RON	Cm	64.116	61.103	72.774	72.787	89.060
9	Added value	thousand RON	VA	50.699	57.593	65.098	90.187	101.841
10	Value added modification	housand RON	$\Delta Va = VA_1 - VA_0$	5.144	6.894	7.505	25.089	11.654
11	Medium balance clients	Thousand RON	C	61.605	77.103	81.385	95.081	105.162
12	Corporate investments	Thousand RON	Ic	19.787	22.939	34.195	22.075	59.629
13	R_1		Cf/EBE	0,180	0,120	0,087	0,083	0,059
14	R_2	%	CP/At*100	73,596	69,936	69,079	74,315	73,656
15	R_3		CAF/At	0,110	0,100	0,113	0,178	0,171
16	R_4		EBE/CA	0,250	0,243	0,241	0,316	0,291
17	R_5	days	F/Cm*360	71,97	110,85	114,72	88,88	70,57
18	R_6	%	$\Delta Va/Va_0$	1,015	1,197	1,153	2,782	1,144
19	R_7	days	C/CA *360	204,90	228,46	215,38	209,36	193,47
20	R_8		Ic/Va	0,390	0,398	0,525	0,245	0,586
100 Z = -1,255 R₁ + 2,003 R₂ - 0,824 R₃ + 5,221 R₄ - 0,689 R₅ - 1,164 R₆ + 0,706 R₇ + 1,408 R₈ - 85,544				1,573	1,397	1,263	1,484	1,508

In the period under review, the Z score of the SC Medical SA, determined by model of the Bank of France recorded values in between 1.263 to 1,573, higher minimum threshold of 0,125, reflecting an economic and financial situation improved and the risk of bankruptcy decreased below 10%.

The Romanian Commercial Bank (BCR) Model allows the analysis of economic and financial situation of the company and the degree of risk to the credit of making decisions, taking into account the specifics and conditions of the Romanian economy. The model uses a set of rates and performance indicators to establish the company's creditworthiness on a *scale score* of 6 criteria's:

- Equity liquidity $Lp = \frac{\text{Short term Assets}}{\text{Short terms liabilities}}$
- Solvability: $S = \frac{\text{Stockholders Equity}}{\text{Total liabilities}}$
- Financial efficiency $Rf = \frac{\text{Gross Profit}}{\text{Stockholders Equity}}$
- Working capital rotation $Nac = \frac{\text{Turnover}}{\text{Current Assets}}$
- Supply markets dependence (A) and sales (D) – domestic and external;
- Guarantees (pledged deposits in lei and foreign currency, pledges, mortgages, goods acquired through credit, cessions, and debts).

Depending on the determined value of these indicators there are given scores for each evaluation criterion in Table no. 7:

Table no. 7

Assessment criteria of the financial bonificty according to the BCR model

Nr.	Evaluation criteria	Value limits	Score
1.	Equity liquidity ($Lp = \text{Short term assets}/\text{Short terms liabilities}$)	< 80%	-2
		80-100%	-1
		100-120%	+1
		120 - 140%	+2
		140-160%	+3
		> 160%	+4
2.	Solvability ($S = \text{Stockholders equity}/\text{liabilities}$)	< 30%	0
		30 - 40%	1
		40 - 50%	2
		50 - 60%	3
		60-70%	4
		70 - 80%	5
		> 80%	6
3.	Financial effectiveness ($Rf = \text{Gross profit}/\text{Own capital}$)	<0	0
		0 - 10%	3
		10 - 30%	4
4.	Working capital relation ($Nac = \text{Turnover}/\text{Working capital}$)	<5	1
		5-10	2
		>10	4
5.	Dependence of markets (supply and sales) <ul style="list-style-type: none"> • Supply: domestic (At); imports (Ai) • Sales: domestic (Dt); exports (De) 	At>50%;De>50%	4
		Ai > 50%; De > 50%	3
		At > 50%; Dt > 50%	2
		Ai > 50%; Dt > 50%	1
6.	Guarantees	Pledged deposits	4
		Pledges, mortgages	3
		Acquisitions from credits	2
		Debts cession	1

Based on the score calculated according to table no. 8 classification of companies is carried out in five categories, as follows:

Table no. 8

Classification of the companies according to the BCR model		
Category	Total points	The Economical financial situation – risk degree
A	>20	Very good – there can be offered credits
B	16-20	Good - there can be offered credits
C	11-15	Oscillating - High risk
D	6-10	Special risk – There are no guarantees for offering credit
E	0-5	Very unstable – without any guarantees

Decision of credit conditions for enterprises is based on the evaluation grid above. Businesses may all be in one of five possible scenarios, namely:

- Businesses in categories A and B have a better economic and financial situation and benefit from bank loans; businesses in category C have a high degree of risk. In this situation a loan on the one hand requires a relatively high risk premium and close supervision of the enterprise in terms of solvency in order to recover loans at the first sign of distrust.
- Companies in Category D and E do not have warranties and can not get bank loans. Analysis of the financial situation of SC Medical SA based on the model is presented in Table BCR. 9.

Table no. 9

Determining the appreciation indicators of the financial situation according to the BCR Model

Nr.	Indicator	UM	Symbol	Analyzed period				
				2004	2005	2006	2007	2008
1	Working capital	Thousand RON	Ac	83.422	104.752	108.155	126.224	153.844
2	Short term assets	Thousand RON	Ats	83.231	104.641	107.947	126.159	153.595
3	Short term liabilities	Thousand RON	DTS	38.315	52.280	58.483	54.405	68.662
4	Stockholders equities	Thousand RON	Cpr	86.820	103.580	117.359	143.580	177.060
5	Total liabilities	Thousand RON	Pt	145.114	173.894	189.137	211.821	260.637
6	Gross profit	Thousand RON	RB	14.431	16.078	17.577	23.725	30.074
7	Turnover	thousand RON	CA	108.236	121.495	136.029	163.498	195.678
8	Equity liquidity	Points		4	4	4	4	4
9	Equity liquidity	%	Ac/Dcrt	217,23	200,16	184,58	231,89	223,70
10	Solvability	Points		3	3	4	4	4
11	Solvability	%	Cpr/Pt	59,83	59,56	62,05	67,78	67,93
12	Financial effectiveness	Points		4	4	4	4	4
13	Financial effectiveness	%	Rb/Cpr	16,62	15,52	14,98	16,52	16,99
14	Working assets rotation	Points		1	1	1	1	1
15	Working assets rotation	%	CA/Ac	1,30	1,16	1,26	1,30	1,27
16	Markets dependence	Points		1	1	1	1	1
17	Import supply	%	Ai	> 50%	> 50%	> 50%	> 50%	> 50%
18	Dispatch in the country	%	Dt	> 50%;	> 50%;	> 50%;	> 50%;	> 50%;
19	Guarantees	Points		3	3	3	3	3
20	Pledges, mortgages			x	x	x	x	x
TOTAL		points		16	16	17	17	17

In the period under review due to the model function BCR-score values recorded 16 to 17 points. Based on the calculated score, SC Medical SA fall into category B with a good financial and economic situation, stable, and thus eligible for loans without special supervision.

In conclusion, we can appreciate that analysis and risk management must be a constant concern of the management company, focused primarily on identifying potentially dangerous situations, the level and severity estimates and ways to limit the effects of risks.

On the other hand, Risk management analyse allows to detect and identify the major facts which could determine a risky situation and to implement corrective actions.

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Aspects of Reducing Uncertainty and Risk of a Portfolio of Securities Listed on Stock Exchange

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Abstract: Risk is an important factor in the stock market investments, such as payout amounts invested in stock are higher than those invested in such banks (which are the most popular choice) and runs the risk of these gains, or even losing some (or all) of the amount invested is much higher. For banks it is almost 0. Thus, the methods of risk mitigation are a very important component of investment decision on the stock exchange. One way to reduce this risk is to diversify the portfolio.

The purpose of this paper is to summarize and illustrate aspects of reducing uncertainty and risk in drawing up a portfolio of shares through financial analysis and a determination of rates of return on the securities market in the portfolio.

Keywords: portfolio return, risk, securities, uncertainty, profitability

INTRODUCTION

Financial behaviour of investors is influenced by the development of financial markets, the credibility of these markets and how financial resources can be purchased or how economies can be placed through financial companies that can do this.

An investor will be active on the capital market and will invest, if offers on the capital market yields are superior to other investment opportunities. An important role in the investment plan is the rate of return of risk-free asset, in other words, what level of profitability can be achieved without risk to take given, especially interest rate risk on bonds.

In order to correctly identify investment opportunities these must be held a financial analysis of capital market achieved with the help of investment companies.

Financial analysis of capital market requires:

- Analysis of financial market indicators;
- Analysis of the evolution of listed securities on stock exchange and OTC stock market;
- Mutual fund investment analysis.

Arbitration of financial investments, aims to identify, yields and characteristic risks. Thus, there is a relationship verified by financial practice which states that as if you increase ROI, you will increase the risk associated with it. "For many years academics and practitioners have been debated the "value versus growth" issue. Although there seems to be a consensus on the fact that, in the long term, value outperforms growth, there is no agreement about why this is the case." [1, p.199].

The investment policy on the capital markets is reflected in the objectives of investors on the risk-return ratio in a context of market dominance, expressed in three ways:

- maximize profitability under a known risk;
- maximize profitability following a risk minimization;
- a minimization of risk in conditions of known return.

„Investors can, however, screen for other risk factors such as the level of debt and bond rating for the firm or avoid firms with any recent bad news so that the low PE portfolio can be truly low in risk. The mispricing is even more likely if investors can find low PE firms with reasonable expected growth

rates. This can be obtained from analysts' forecast if available or projected from historical growth rates. Investors should also be aware that a low PE portfolio can be highly undiversified as this portfolio may contain a few stocks from the same sector with low PE." [2, p.4].

Once the objective of choosing one of three ways to invest, investors will decide on the strategy they should adopt, if, during the investment the objective can be achieved. The profitability and risk of these financial instruments and the capital market development, influence investment behaviour of investors.

This work, presents an analysis of a portfolio of shares, issued by four companies, a market analysis focused on rates of quoted shares, profitability and portfolio risk for the period January 5, 2010 – 11th May 2010. The data used were taken from the official site of the Bucharest Stock Exchange.

1. THE CREATION OF THE PORTOFOLIO AND THE ANALYSIS OF THE EVOLUTION OF SECURITIES RATE

The study consists of a stock analysis on a portfolio composed of stocks listed on the Bucharest Stock Exchange. The analysis is performed on 5th January 2010 - May 11th, 2010. The data used were taken from the official site of the Bucharest Stock Exchange.

Securities portfolio on 5th January 2010, were as follows:

Table 1.1.- The shares portfolio structure

Issuing company	Symbol	No. of shares	Price/ share	Value (lei)
Company A	A	3.200,00	8,4000	27.040,0000
Company B	B	12.400,00	0,1880	2.306,4000
Company C	C	10.000,00	0,1560	1.580,0000
Company D	D	11.500,00	0,0140	162,1500
TOTAL		37.100,00		31.088,5500

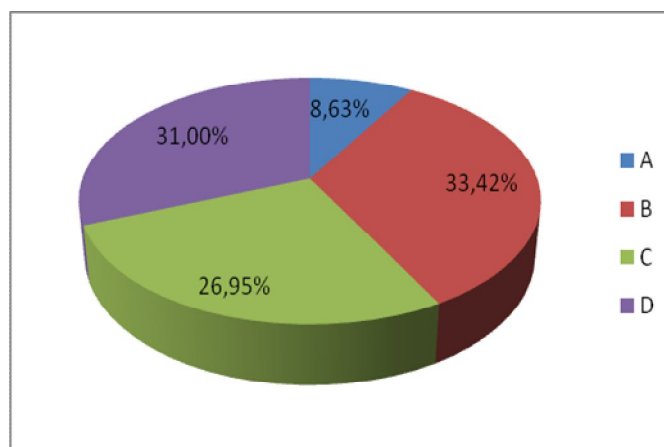


Figure 1.1. The shares portfolio structure on 5th January 2010

In Figure 1.1. one can see, the structure of the portfolio, on January 5, 2010, in which, it is distinguished a security that has a lower than average proportion (25%), all the others, having an above average weight, which is justified by the share price at the time of portfolio creation.

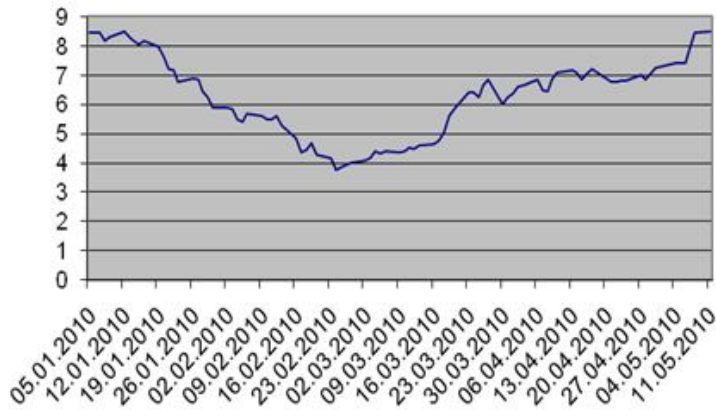


Figure 1.2. The Evolution of A share's price on May 11th 2010 – Jan 5th 2010

As shown in Table. 1.1., The initial price (5 Jan.2010) of shares issued by company A is 8.4 lei / share, recording a minimum point at the end of February, the course returns at the end of the period analyzed, at a price close to initial price, namely 8.45 lei / share.

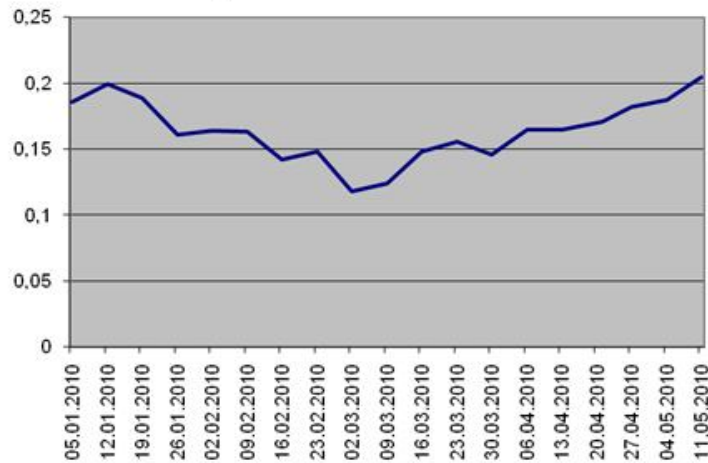


Figure 1.3. The Evolution of B share's price on May 11th 2010 – Jan 5th 2010

In the case of the shares issued by Company B (fig. no. 1.3.), the initial price is 0.188 lei / share. This has no major fluctuations during the period. At the end of the period the price of shares B is 0.208 lei / share.

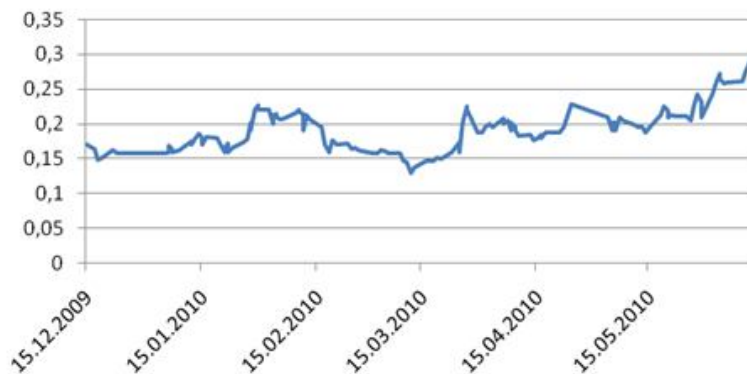


Figure 1.4. The Evolution of C share's price on May 11th 2010 – Jan 5th 2010

The shares course issued by Company C, shows a slight fluctuation, with a deviation of only 0.045 lei / share compared to rate recorded in the early period.

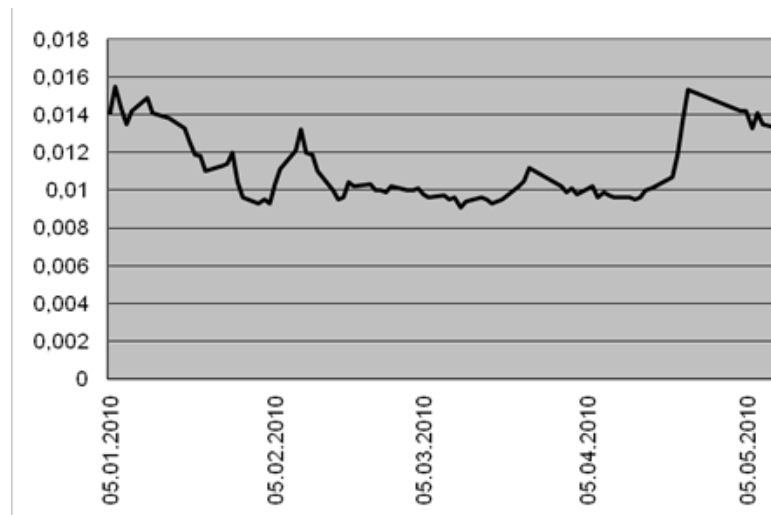


Figure 5. The Evolution of D share's price on May 11th 2010 – Jan 5th 2010

The shares issued by Company D, register, at the beginning of the reporting period, a rate of 0.014 lei / share, dropping to below 0.01 lei / share, during the period, and ultimately increase further, approaching the value of initial rate (0.031 lei / share at 11/05/2010).

2. FINANCIAL ANALYSIS OF THE RATE MARKET FOR THE SHARES OF PORTFOLIO

Using financial analysis, we show performances of the four investigated companies in the portfolio, and evaluating these actions, according to financial results. („Past studies have shown that investment strategy using two popular metrics, the earnings-price ratio (EP) and book-to-market ratio (BM) enable investors to reap abnormal returns. More recent development of another ratio, economic value-added-to-market value (EVAM) can be seen as a hybrid of EP and BM ratios.” [3, p.76].

In the following tables are calculated for all four companies, market rates on January 5, 2010 and 11 May 2010.

Explanation of the calculations in Table 2.1.:

- **PER** (price earnings ratio) is the coefficient of capitalization, which is determined as the ratio between share price and earnings per share. This is calculated using net profit of each company reviewed reported on 31 December 2009.
- Analysed **net profit**, is reported to 31 December 2009 by the four companies<
- **D** is the net dividend for 2009, calculated as the difference between gross dividend declared and the amount of tax charged on dividend income;
- **d** is the rate of dividend distribution, determined as the ratio between net global dividend and the net profit declared on 31 December 2009.

Table 2.1.- Market rates of issuing companies on January 5th, 2010

Company	PER (%)	Net profit (tsd lei)	Price/ share	No. of shares (C.S.)	D	d (%)	profit / share
Company A	4,6	1.353.484.233	8,4000	696.901.518	0,6560	33,78	1,9421
Company B	4,23	1.022.387.463	0,1880	56.644.108.335	0,0000	0,00	0,0180
Company C	0,32	50.540.752	0,1560	526.032.633	0,0000	0,00	0,0961
Company D	0,42	6.927.943	0,0140	1.112.658.091	0,0000	0,00	0,0062

Table 2.2.- Market rates of issuing companies on May 11, 2010

Company	PER (%)	Net profit (tsd lei)	Price/ share	No. of shares (C.S.)	D	d (%)	profit / share
Company A	4,51	1.353.484.233	8,4500	696.901.518	0,6560	33,78	1,9421
Company B	21,37	1.022.387.463	0,2080	56.644.108.335	0,0000	0,00	0,0180
Company C	-	50.540.752	0,2010	526.032.633	0,0000	0,00	0,0961
Company D	2,10	6.927.943	0,0131	1.112.658.091	0,0000	0,00	0,0062

The data presented in the above tables, illustrate that the capitalization coefficient value (PER) has increase to three companies, for the fourth remaining the same.

3. SETTING PROFITABILITY AND RISK FOR SECURITIES INCLUDED IN THE PORTFOLIO

For this analysis, state the reference date for the issuing company, which is the date set by the company until shareholders are registered on the register of shareholders.

Table 3.1.- Reference date for the issuing company

Issuing company	Reference date
Company A	15 April 2010
Company B	does not distribute dividends
Company C	does not distribute dividends
Company D	does not distribute dividends

Return of portfolio shares

The return of a share is determined by two components: dividends and the increase of the market value of shares.

In the analysis of profitability and risk of share, it was considered as price analysis, the **closing price** (P_i) of the share, from January 5th to May 11th, 2010. The technical analysis of share, shows that, after the reference date, share prices fell, usually with the value of the dividend, so that analytical results are not being affected by this decline, the closing price of shares after the reference date, was added dividend declared by the company A. But, because the dividend is received after a certain number of weeks ($S_{r\ddot{a}m}$), we do not consider the declared net dividend to be charged, but net dividend updated weekly interest rate. Thus:

- The present value of the dividend is calculated with compound interest formula: $D_a = \text{net dividend} / (1 + \text{interest per week})^{S_{r\ddot{a}m}}$.
- **Net dividend** is determined by deducting from the gross dividend declared by each company issuing the tax on dividends (see Table 3.2.).

The situation of the dividends for issuing companies

Table 3.2.- The dividends for issuing companies

Issuing company	Gross dividend	Net dividend
Company A	0,7283	0,6560
Company B	0,0000	0,0000
Company C	0,0000	0,0000
Company D	0,0000	0,0000

- **Weekly interest** is determined taking into account the present value of money market average rate of 10% per year and so we considered a weekly rate equal to 0.19.
- $P_i + D_a$ (closing price + updated dividend).

Table 3.3.- The situation of closing prices of shares from portfolio

	A			B	C	D
	P _i	Da	P _i +Da	P _i	P _i	P _i
05.01.2010	8,400		8,400	0,208	0,201	0,013
12.01.2010	8,600		8,600	0,187	0,200	0,014
19.01.2010	7,950		7,950	0,183	0,217	0,015
26.01.2010	6,850		6,850	0,171	0,176	0,011
02.02.2010	5,950		5,950	0,163	0,183	0,010
09.02.2010	5,650		5,650	0,163	0,204	0,010
16.02.2010	4,840		4,840	0,148	0,181	0,010
23.02.2010	4,050		4,050	0,156	0,161	0,011
02.03.2010	4,160		4,160	0,150	0,145	0,010
09.03.2010	4,390		4,390	0,121	0,157	0,009
16.03.2010	4,630		4,630	0,119	0,157	0,010
23.03.2010	6,300		6,300	0,143	0,170	0,010
30.03.2010	5,800		5,800	0,145	0,190	0,010
06.04.2010	6,650		6,650	0,161	0,218	0,013
13.04.2010	7,000		7,000	0,164	0,210	0,009
20.04.2010	6,550	0,651	7,201	0,163	0,173	0,011
27.04.2010	7,050	0,652	7,702	0,190	0,180	0,013
04.05.2010	7,300	0,654	7,954	0,198	0,178	0,015
11.05.2010	8,450	0,655	9,105	0,188	0,156	0,014

For the calculation of profitability it was determined the growth, respectively decrease, registered by shares in the portfolio during the period under review.

- $v_{portof1}$ is the portfolio value on 05.01.2010;
- $v_{portof2}$ is the portfolio value on 11.05.2010;
- $v_{portof3}$ is the portfolio value with updated dividend on 11.05.2010;
- R_i is the rate of return on each share, taking into account updated dividends of Company A
- X_i = initial weight, is the value that the shares of an issuing company are holding in the total portfolio, proportion calculated on 05.01.2010.

Table 3.4.- Increase / decrease of the shares value and the portfolio value

Symbol	No. of shares	P _{i1} 5.01.2010	V _{portof 1} (5.01.2010)	P _{i2} (11.05.2010)	V _{portof2} (11.05.2010)	Price variation %
A	3.200	8,400	26.880,00	8,450	27.040,00	0,595
B	12.400	0,208	2.579,20	0,188	2.331,20	-9,615
C	10.000	0,201	2.010,00	0,156	1.560,00	22,388
D	11.500	0,013	150,65	0,014	161,00	6,870
TOTAL	37.100		31.619,85		31.092,20	1,669

For the calculation of profitability, these must be taken into account the updated value (D_{as}) of the dividends granted by company A.

Table 3.5.- Calculation of portfolio profitability

Symbol	Pi2 (11.05.2010)	Da	Pi1+Da	Vportof3	Rate of return % Ri	Initial proportion % Xi	Ri*Xi
A	8,450	0,656	9,106	29.139,20	8,405	8,625	0,007
B	0,188		0,188	2.331,20	-9,615	33,423	-0,032
C	0,156		0,156	1.560,00	-22,388	26,954	-0,060
D	0,014		0,014	161,00	6,870	30,997	0,021
TOTAL				33.191,40	4,970	100	-0,064

The **portfolio return** is, as shown in the table above, equal to - 6.4%, calculated over the entire projection period, resulting the weekly return: $(1+d_s)^{18} = 1,064$ resulting that the **weekly return (d_s)** is 0,00212 about 0,21%.

Knowing that the bank rate is 0.19% a week, results a low profitability of the portfolio taking into account the risk. If determine the annual return on the portfolio we get $(1+0,21)^{52} = 20,176\%$.

4. THE SHARES RISK

In order to see the share price reaction to changes in the general index of Bucharest Stock Exchange (BET), must be determined, the beta coefficient of the shares, which expresses the amount of systematic market risk of the securities.

All calculations are expressed as weekly.

The calculation of A shares risk

- R_p = market return, the return is given by the evolution (appreciation / depreciation) the BET index (BSE index);
- R_{pm} = the average market return;
- R_A = return on the share A, calculated using the closing price developments, and the updated net dividend;
- σ_p^2 = the market return dispersion is determined by the formula:

$$\sigma_p^2 = \frac{\sum (R_p - R_{pm})^2}{18}$$

- $\sigma_{A \cdot P}$ = represents the covariance between the a share return and the market return;
- σ_p = the standard deviation of the market, the overall market risk, is determined by the formula:

$$\sigma_p = \sqrt{\sigma_p^2}$$

- σ_A = standard deviation of the share A;

The data on determining the risk of shares A are summarized in Table 4.1.

Table 4.1.- Determining the risk of shares A

Data	Index		A			$R_p - R_{pm}$	$(R_p - R_{pm})^2$	$(R_A - R_{Am}) \times (R_p - R_{pm})$
	BET	R_p (%)	$P_i + D_a$	R_A (%)	$R_A - R_{Am}$			
11.05.2010	3.271,07		8,4					
04.05.2010	3.012,59	-7,902	8,6	2,381	1,188	-7,681	58,998	-9,125
27.04.2010	3.021,51	0,296	7,95	-7,558	-8,751	0,517	0,267	-4,525
21.04.2010	2.761,14	-8,617	6,85	-13,836	-15,029	-8,396	70,496	126,191
13.04.2010	2.819,42	2,111	5,95	-13,139	-14,332	2,332	5,437	-33,418
06.04.2010	2.623,73	-6,941	5,65	-5,042	-6,235	-6,720	45,156	41,898
30.03.2010	2.278,44	-13,160	4,84	-14,336	-15,529	-12,939	167,425	200,938
23.03.2010	2.389,08	4,856	4,05	-16,322	-17,515	5,077	25,775	-88,924
16.03.2010	2.106,35	-11,834	4,16	2,716	1,523	-11,613	134,868	-17,688
09.03.2010	1.964,56	-6,732	4,39	5,529	4,336	-6,511	42,387	-28,229
02.03.2010	1.914,81	-2,532	4,63	5,467	4,274	-2,311	5,342	-9,879
23.02.2010	1.972,71	3,024	6,3	36,069	34,876	3,245	10,529	113,166
16.02.2010	2.068,22	4,842	5,8	-7,937	-9,130	5,063	25,630	-46,219
09.02.2010	2.281,88	10,331	6,65	14,655	13,462	10,552	111,337	142,048
02.02.2010	2.269,20	-0,556	7	5,263	4,070	-0,335	0,112	-1,362
26.01.2010	2.359,49	3,979	7,201	2,871	1,678	4,200	17,639	7,049
19.01.2010	2.746,92	16,420	7,702	6,957	5,764	16,641	276,925	95,925
12.01.2010	2.866,74	4,362	7,954	3,272	2,079	4,583	21,004	9,527
05.01.2010	2.983,79	4,083	9,105	14,471	13,278	4,304	18,525	57,148
Total		-3,971		21,481			1037,852	554,522
	$R_p = -0,221$		$R_{Am} = 1,193$				$\sigma_p^2 = 57,658$	$\sigma_{A*p} = 30,807$

In the following table these has been determined the return of the portfolio shares and the shares rate of return

Table 4.2.- The calculation of the shares return

Issuing company	Symbol	No. of shares	Price per share on 5.01.2010	Price per share on 11.05.2010	Shares return	Shares rate of return %
Company A	A	3.200	8,4000	8,4500	0,0500	0,60
Company B	B	12.400	0,1860	0,2080	0,0220	11,83
Company C	C	10.000	0,1580	0,2010	0,0430	27,22
Company D	D	11.500	0,0141	0,0131	-0,0010	-7,09

It is noted that for three of the portfolio shares, these are recorded positive returns, and for the D shares, profitability is negative. Given the considered period (January 5th to May 11th, 2010) in determining the profitability measures, these have been taken into account only the prices of shares, because for any type of share, no dividends were received.

To determine the weekly rates of return for each type of shares, the data were summarized in the tables below:

Table 4.3.- The calculation of weekly return rates for the shares A

	Price per share A	Shares return	Shares rate of return %	$(r_i - \bar{r})^2$
11.05.2010	8,45	0,05	0,60	697,42
04.05.2010	7,3	-1,1	-13,10	161,75
27.04.2010	7,05	-1,35	-16,07	94,91
20.04.2010	6,55	-1,85	-22,02	14,36
13.04.2010	7	-1,4	-16,67	83,66
06.04.2010	6,65	-1,75	-20,83	24,80
30.03.2010	5,8	-2,6	-30,95	26,41
23.03.2010	6,3	-2,1	-25,00	0,66
16.03.2010	4,63	-3,77	-44,88	363,57
09.03.2010	4,39	-4,01	-47,74	480,69
02.03.2010	4,16	-4,24	-50,48	608,25
23.02.2010	4,05	-4,35	-51,79	674,56
16.02.2010	4,84	-3,56	-42,38	274,48
09.02.2010	5,65	-2,75	-32,74	47,95
02.02.2010	5,95	-2,45	-29,17	11,24
26.01.2010	6,85	-1,55	-18,45	54,19
19.01.2010	7,95	-0,45	-5,36	418,46
12.01.2010	8,6	0,2	2,38	794,93
05.01.2010	8,4			4832,29

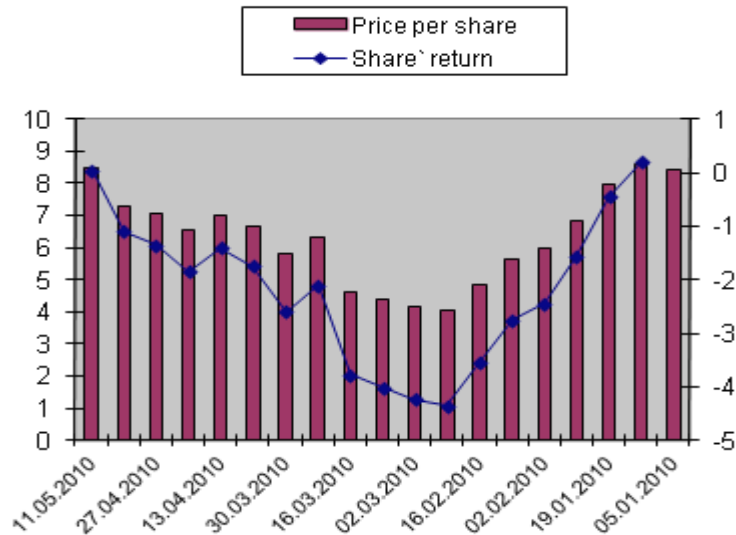


Figure 4.1. The shares A return trend from Jan 5th 2010-May 11th, 2010

As seen in the above graph, the return of shares A records, in the analyzed period, a downward trend until 23 March 2010, when the price per share reaches its lowest level of the period (4.05) and it is followed by an upward trend until the end of the period.

Table 4.4.- The calculation of weekly return rates for the shares B

	Price per share A	Shares return	Shares rate of return %	$(r_i - \bar{r})^2$
11.05.2010	0,208	0,02	10,64	574,56
04.05.2010	0,187	-0,001	-0,53	163,84
27.04.2010	0,183	-0,005	-2,66	113,85
20.04.2010	0,171	-0,017	-9,04	18,40
13.04.2010	0,163	-0,025	-13,30	0,00
06.04.2010	0,163	-0,025	-13,30	0,00
30.03.2010	0,148	-0,04	-21,28	63,20
23.03.2010	0,156	-0,032	-17,02	13,62
16.03.2010	0,15	-0,038	-20,21	47,33
09.03.2010	0,121	-0,067	-35,64	497,74
02.03.2010	0,119	-0,069	-36,70	546,16
23.02.2010	0,143	-0,045	-23,94	112,57
16.02.2010	0,145	-0,043	-22,87	91,01
09.02.2010	0,161	-0,027	-14,36	1,06
02.02.2010	0,164	-0,024	-12,77	0,31
26.01.2010	0,163	-0,025	-13,30	0,00
19.01.2010	0,19	0,002	1,06	207,07
12.01.2010	0,198	0,01	5,32	347,82
05.01.2010	0,188	0		2798,56

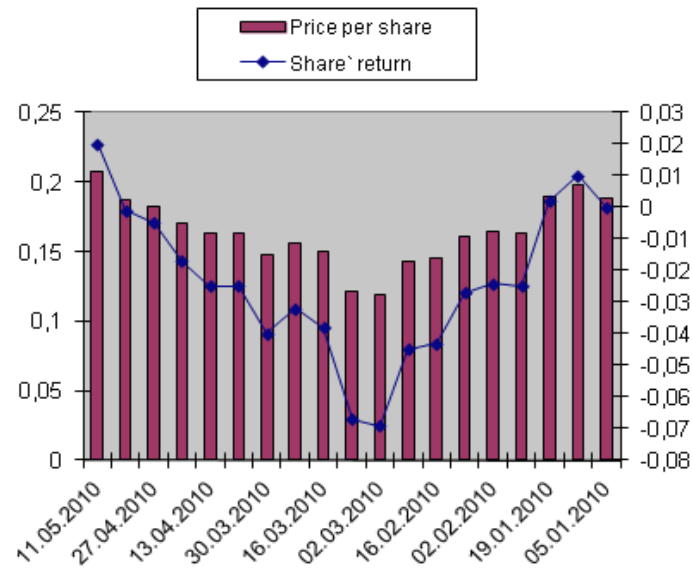


Figure 4.2. The shares B return trend from Jan.5th 2010-May 11th, 2010

In the above graph, we can see that the profitability of B shares recorded a downward trend until 02 March 2010, when the price per share reaches its lowest level in this period (0.119) it followed an upward trend until the end of the period.

Table 4.5.- The calculation of weekly return rates for the shares C

	Price per share A	Shares return	Shares rate of return %	$(r_t - \bar{r})^2$
11.05.2010	0,201	0,045	28,85	6914,80
04.05.2010	0,2	0,2	128,21	262,56
27.04.2010	0,217	0,217	139,10	734,47
20.04.2010	0,176	0,176	112,82	0,67
13.04.2010	0,183	0,183	117,31	28,16
06.04.2010	0,204	0,204	130,77	352,23
30.03.2010	0,181	0,181	116,03	16,19
23.03.2010	0,161	0,161	103,21	77,37
16.03.2010	0,145	0,145	92,95	363,01
09.03.2010	0,157	0,157	100,64	129,06
02.03.2010	0,157	0,157	100,64	129,06
23.02.2010	0,17	0,17	108,97	9,16
16.02.2010	0,19	0,19	121,79	95,91
09.02.2010	0,218	0,218	139,74	769,63
02.02.2010	0,21	0,21	134,62	511,39
26.01.2010	0,173	0,173	110,90	1,22
19.01.2010	0,18	0,18	115,38	11,45
12.01.2010	0,178	0,178	114,10	4,41
05.01.2010	0,156		TOTAL	10410,75

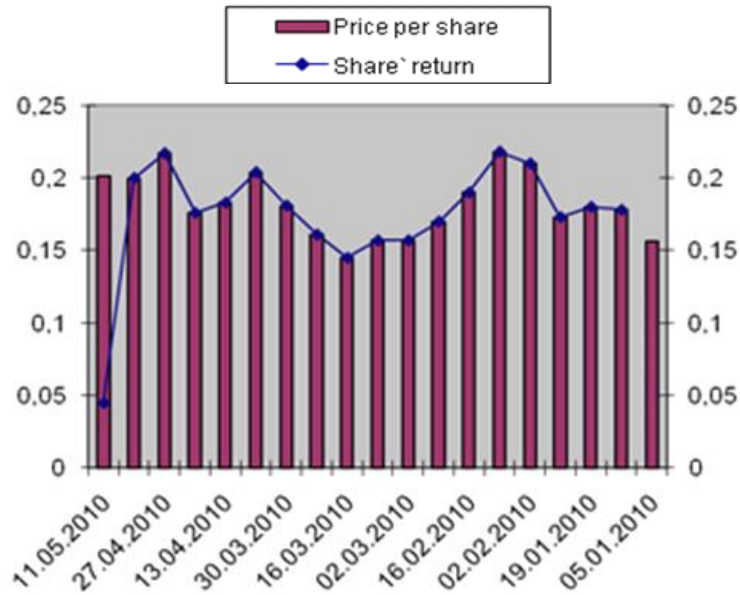


Figure 4.3. The shares C return trend from Jan 5th.,2010-May 11th, 2010

The graph on the evolution of profitability of shares C shows that the profitability of the action shows a pronounced decrease towards the end, the rest of the analyzed period registered a relatively stable trend, with minor fluctuations.

Table 4.6.- The calculation of weekly return rates for the shares D

	Price per share A	Shares return	Shares rate of return %	$(r_i - \bar{r})^2$
11.05.2010	0,013	-0,0009	-6,43	174,62
04.05.2010	0,014	-0,0004	-2,86	281,76
27.04.2010	0,015	0,001	7,14	717,47
20.04.2010	0,011	-0,0034	-24,29	21,56
13.04.2010	0,01	-0,0044	-31,43	138,90
06.04.2010	0,01	-0,0041	-29,29	92,98
30.03.2010	0,01	-0,004	-28,57	79,72
23.03.2010	0,011	-0,0034	-24,29	21,56
16.03.2010	0,01	-0,0045	-32,14	156,25
09.03.2010	0,009	-0,0046	-32,86	174,62
02.03.2010	0,01	-0,0041	-29,29	92,98
23.02.2010	0,01	-0,0039	-27,86	67,47
16.02.2010	0,01	-0,004	-28,57	79,72
09.02.2010	0,013	-0,0015	-10,71	79,72
02.02.2010	0,009	-0,0047	-33,57	194,01
26.01.2010	0,011	-0,003	-21,43	3,19
19.01.2010	0,013	-0,0006	-4,29	235,84
12.01.2010	0,015	0,001	7,14	717,47
05.01.2010	0,014	0	0,00	3329,85

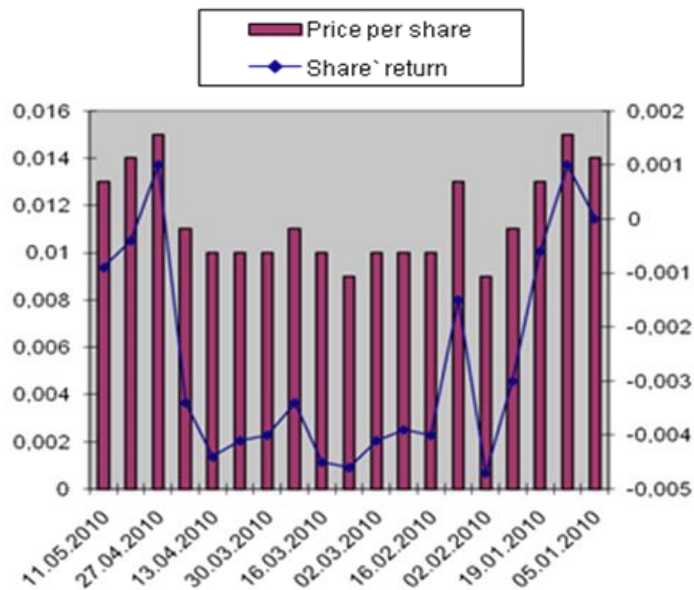


Figura 4.4. The shares D return trend from Jan. 5th., 2010-May 11th, 2010

Regarding the profitability trend of shares D, we see that it has significant fluctuations during the period. Profitability has a minimum point in early February, followed by a period of recovery, reaching its peak in April followed by a slight decrease at the end of period.

The risk of any asset is defined as probable variability of the future profitability of the asset. For example, if an investor buys short-term government bonds, with an anticipated 7% yield when the return on investment is 7% and can be estimated with precision, this type of investment is without risk. But if the amount available to the investor is invested in shares of a company's return on investment can not be estimated accurately. An analyst studying the possible outcomes could estimate the **expected rate of return**, in statistical terms of 20%. The investor can expect that the real rate of return can vary, for example, from +100% to -100%. The existence of a significant potential to achieve a real return, much lower than the expected profitability, makes the shares to be seen as risky.

So the risk is related to the probability of a return less than expected. The higher the chance of small or negative returns, the riskier is the investment. Any investment decision (any business decision) requires a forecast of future events. In the capital allocation decisions, key forecasts are related to the annual cash flows of the project.

CONCLUSIONS

The study aims to illustrate a summary of data related to the issuance and trading of financial instruments (shares) issued by four companies. Using financial analysis elements these were determined the performances obtained of the four portfolio companies investigated, and an evaluation of these shares was drawn based on financial results. There were calculated the market rates for the four companies on January 5th, 2010 and May 11th, 2010.

From the data presented, it appears that the value of PER for three of the companies recorded a growth and for the fourth it remained the same. An important part of the study is the determining of the profitability of the constituted portfolio. It is observed that for three of the portfolio shares, positive returns are recorded and profitability is negative for D shares.

Future developments of the financial investment instruments can not be predicted with certainty, so that the result of an investment can not be determined accurately in advance a fact that implies some risks. Risk is the probability of loss that can be considered either as a real capital loss or a failure to reach a certain hope of winning. The investment opportunity is more uncertain, the probability of losing is greater and the risk increases. Formal and quantitative definition of risk is based on the concept of uncertainty.

Some instruments offer fixed returns. Bonds, for example, when held to maturity, do not bear any risk for the investor. Shares are risky investment instruments. They can make significant gains or losses. The results of investment in shares may be different because they never reach maturity. Not all shares have the same risk. Thus, the price of shares of air transport or high-tech companies, it is very difficult to predict due to the specific activities of these firms, while share prices of public services companies is much easier to predict because of the stable and predictable activity that they take it.

Investors' objective is to achieve a certain return of capital which they manage. Achieving this return is not certain in advance. Profitability achieved (ex post) is more or less different from that hope (ex ante). The risk can be defined as the difference between the hoped and the obtained price: in other words, the risk is given by the dispersion of future rates changes.

Investors' risk aversion is given by at least three reasons:

- The phenomenon of "ruining the player" that can result from an investment under uncertainty. It shows, for the investor, the possibility of loss of investment while the market takes a turn to its disadvantage;
- The consumer needs of investors;
- Requirements of liquidity, which is the possibility of converting the shares in the form of other assets at any time and without excessive costs.

At least of the three reasons stated, we can conclude that investors should have cautiously behavior. In these circumstances they would prefer financial investment instruments whose value is stable. If this is true, how do you explain that some investors place their funds in risky assets? What makes them choose these assets? The modern theory of portfolios suggests that the market will pay a higher rate of return on risky investments. If not, investors will not be encouraged to buy such shares.

In other words, the hope of an investment return rate is directly proportional to its risk level. The concept of compensation for the risk taken was very good empirical highlighted on all major stock markets. Each investor will be able to find an asset market corresponding to the best risk-return relation on which it wants.

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The Changing Role of Managerial Accounting in Decision Making Process Research on Managing Costs

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Abstract: *The participation in decision-making information system of managerial accounting information is amplified today by emphasizing their role in making the decision on. They are not only means of enhancement and optimization of production processes and those in general, but actually create a new context and open up great prospects in stimulating economic development.*

Effective functioning of an entity in a competitive environment, whose dominant economic one is the limited resources, requires effective management of costs incurred on its outcomes. To achieve economic circuit: Supply - Production - Storage - Selling a range of expenditure compete through cost elements shall be made in selling prices of products on the market. Thus, it appears necessary to identify possible uses of information provided by the system of costs in decision making.

This paper aims at identifying the role of managerial accounting in the economic entity's information system and explains its objectives in terms of decision making.

Keywords: *information, decision, managerial accounting, cost*

INTRODUCTION

This paper is the result of a documentation and scientific research on the role of managerial accounting and possibilities to improve its organization in order to meet the information requirements necessary for decision making process. It circumscribes to the field of research oriented on informational potential of managerial accounting and aims in time and space analysis of theories on the importance of management accounting for decision making.

The research work was used basic research. From an epistemological point of view, this approach falls into a positive-type research. The research methodology was used in testing hypotheses and comparative analysis.

Information gathered through documentary research are analyzed both by description, by formulating concepts and by issuing opinions, and by building empirical relationships based on identification of variables that influence decision making process and the implications of these variables change on the content, form and format of information provided by managerial accounting for the decision making process.

The research aimed at presenting a synthesis of the existing literature in this field. This paper focuses on the multidisciplinary documentary on informational potential of managerial accounting for decision-making following two dimensions: past and present.

After delimitation of the current state of knowledge we have formulated and tested the following *hypotheses of the research*

H1. Traditional methods of organizing the managerial accounting information do not fully satisfy the requirements of decision-making.

H2. It requires a reconsideration of the informational potential of managerial accounting so that it becomes an important source of information for decision making process in the current context.

After testing, both hypotheses were confirmed.

In general, in decision making process, economic information is manifested both in content, presentation and efficiency and the ability to be comprehensive, complete and objective, provided regular, accessible and low costing through the process of obtaining, recording and transmission. For the information provided by the cost of production it is required that they be in a form that allows the adoption of decisions, fast and accurate, to be presented to decision makers within the shortest possible time, to be accurate, have real economic significance and be relevant. The relevant character of the cost information allows the knowledge of those sides of the business that can influence the structure and evolution of costs and imposing, with the necessity to adopt decisions. In this way each decision-maker receives significant information for substantiating decisions that may be adopted in the jurisdiction and responsibility that he has. [1]. Determination of the entire production cost and cost per each product, makes economic entity's management performance, both on the whole and for each product, each department, helping to increase the responsibility of each place that generates costs.

Therefore, it requires a redesign of all policies of production, sales staff so as to obtain an increased efficiency of production factors use. In this context, management accounting organizing in the economic entities becomes a key factor in their success [2].

Wide awareness of the value of information and the transition from working-based theory of value to knowledge-based theory of value placed the economic entities in front of new challenge - overload data from internal and external environment [3]. It involves managing the multitude of data that assault organization in order to obtain positive effects, according to the permanent opening to the environment. This phenomenon is generated, on one hand, by the growing need for information at different levels of management, and on the other hand, by the huge amount of information that flows continuously throughout the organization.

Although modern management is building a knowledge base of its own, this does not exhaust the informational universe of the organization [4].

The quality of management is measured, among other things, by its ability to "read" information gathered by the organization, or important to it, collected on unorganized way, or structured for other purposes. On the other hand, informational capacity of the organization must be a permanent objective of the decision-makers and the core of information that support them.

This paper presents an approach to managerial accounting as part of decision-making process, showing the place of managerial accounting in the global system of economic entities, the managerial accounting objectives and presents the main aspects that define the role of managerial accounting in decision making process. Also in this context the research goes on indicating a possible use in decision-making process of the information provided by the costs system.

1. MANAGERIAL ACCOUNTING – PART OF DECISION INFORMATION SYSTEM

For a long time, the main problem of an organization was to produce and, in this context, technical orientation of the leadership was predominant, the manager had to be familiar with their products and how to obtain them. Along with increased competition, openness to external economic environment, substantial market intervention takes a privileged position compared to other company functions.

Diversification of companies, formation of enterprise groups and multiplying financial operations has strengthened the position of financial and accounting function. Although the evolution of the relative power of different functions determines the contents of organization management, however the leadership appears as a specific action, applicable to all levels and in all functions of the firm.

The essence of complex duties of managers is to develop coherent decisions constantly having regard to the completing, correction or reorganization of activity at different levels based on reasonable interpretation of the information that is collected and processed simultaneously in order to permanently check the validity of solutions previously established [5, p.65].

The literature specifies that there are two traditionally accepted primary and differentiated management roles: the first is executive management and the second is functional/department (middle) management. Imler points out that executive management itself has two functions: "The first is to establish the priorities for the entire organization using a risk based approach...Second, executive management must allocate the resources necessary to accomplish all required activities...Management must receive adequate and appropriate data so priorities and resource allocation can be effectively monitored and corrected when necessary [6, p.58].

Managerial accounting is designed to bring in relief elements of cost and performance being adapted to provide information on different levels of management. Completed the development and monitoring budgets, managerial accounting content is emerging. "The organization of management accounting is up to each business, depending on the specific activity, ie objects, features and organization of production technology, production type, size and organizational structure, nature of the production process and its degree of mechanization and automation etc.. and the information needs of decision makers in this regard having an amplitude greater than the financial accounts (general) which is strictly regulated of legally (normative)."[7, p.11]

The role of managerial accounting information system of the economic entity can reveal by studying its global system (see Fig. no.1.1.).

On the one hand, managerial accounting provides information for decision-makers directly or through dashboards and on this basis, managers make decisions that will change, favourable or not, the results of subsequent periods. Moreover, these results are measured through management accounting and then reported and analyzed to make decisions. Along with managerial accounting information, in decision-making participate in decision-making information provided by other functions or services and external information (e.g. price developments, changes in monetary parity, etc.) retrieved or not in the scoreboard. Also, decisions must be developed within the strategic guidelines of the entity and to take into account other parameters such as tax, financial or social opportunities.

The phase of information retrieval and extracting them from existing data table is very important because the results and, consequently, further decisions will depend on the quality of information retrieved. Information processing refers to both modes of processing organization and the right choice of work tools. According to specific types of economic entity's costs must be selected and must be determined the accounting tools to perform these operations.

All the management accounting information will feed the entity's scoreboard or the sectoral dashboards. Without the analysis and using information phase the analytical accounting becomes unnecessary.

The uses of managerial accounting in the management distinguish its two essential characteristics:

- *the dynamic*, always returned as management accounting information effects of its decisions facing them, giving him the role of auto penalty;
- *the adaptability to the environment*, as has a choice of methods and techniques specific to the concrete situation of the entity.

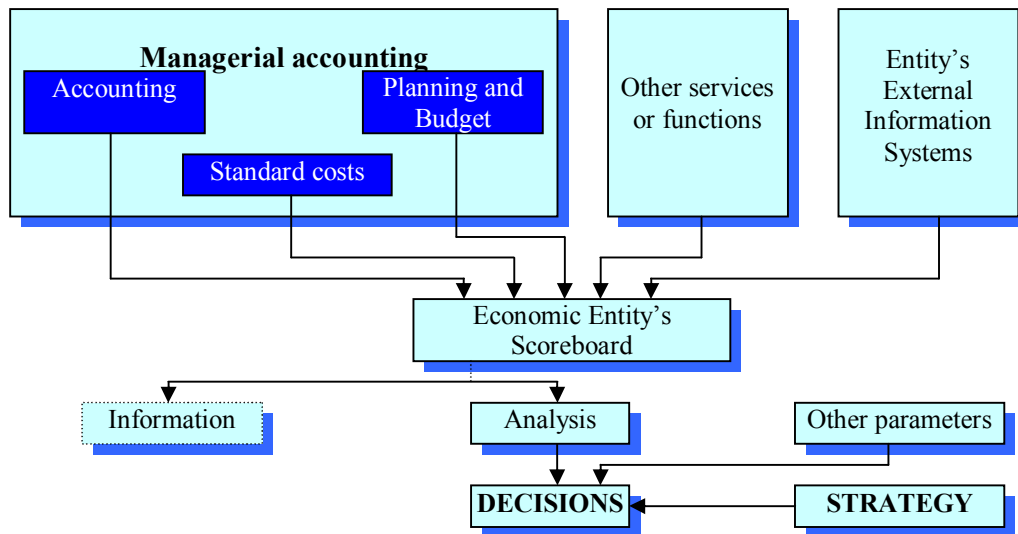


Fig. no. 1.1. Managerial accounting in the overall entity's system [8, p.7]

Adaptability to the environment is ensured by the fact that in management accounting domain norming and legislative regulation is very broad, the company having the freedom to organize and to establish practical means of working.

Although many and varied, **managerial accounting objectives** can be grouped as (fig. no 1.2.):

- Knowing the costs of the economic entity;
- Knowledge of internal operating conditions;
- Provision of information becoming more relevant for evaluating certain elements of financial accounting.

Knowing the cost of the economic entity was considered for a long time the only purpose of managerial accounting. Knowing the cost of the product is always very topical in view of both a commercial incentive and motivation management products and other reasons [8, p.15].

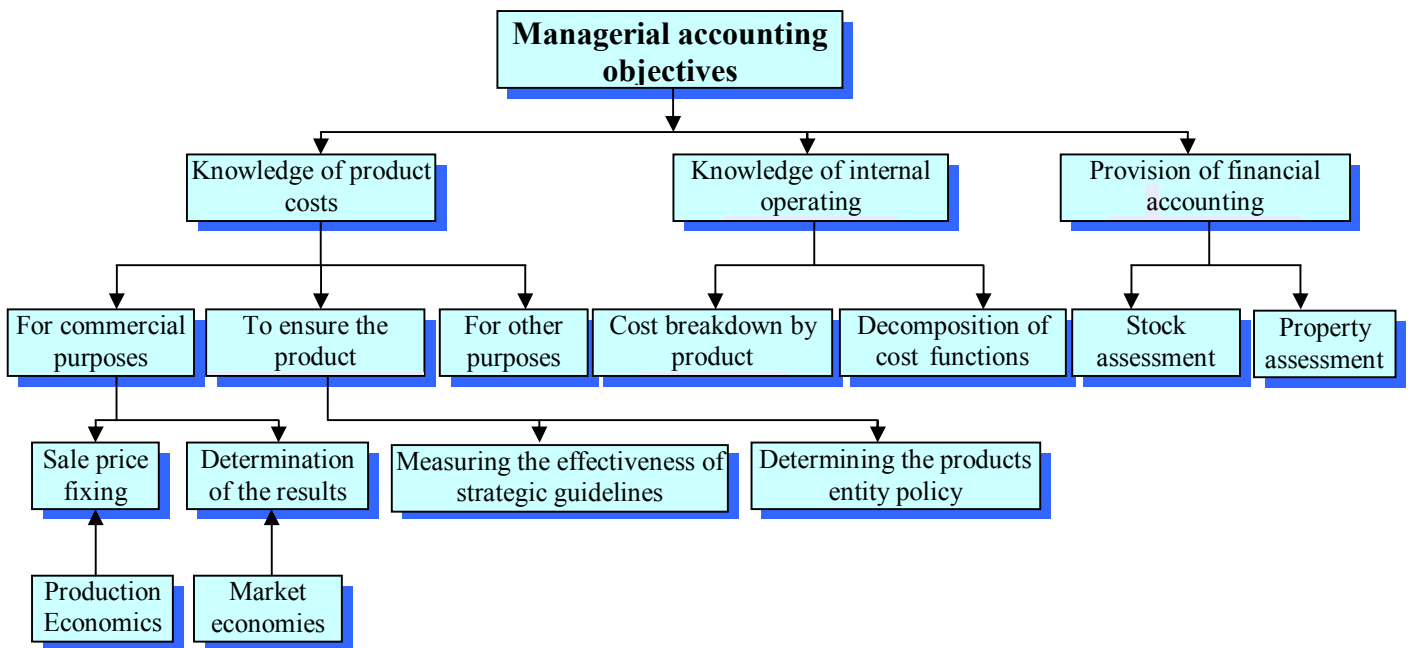


Fig. no. 1.2. Managerial accounting objectives

From the commercial point of view, the first argument for knowing costs is to determine the selling price. In this respect, appears the economic reason aimed at regulating consumption through appropriate pricing policy. In a production economy with imperfect competition, as the Romanian economy, to allow setting prices high is to limit consumption in poor resource organizations, is to limit economic development itself. Pricing must have originated in product costs, provided by managerial accounting.

Commercial motivation for knowing the individual costs of products, is especially actual for the period through which the Romanian economy. Knowledge of product costs is necessary to determine the results. Their knowledge provides relevant decisions on production and marketing of certain products.

Due to competition, the selling price of a product is not related to the cost unit produced and sold but by game of supply and demand determines the market price. In this case the sale price, is not a result an internal decision but is external information, imposed on the economic entity by market conditions. Motivation of management products specifically refers to companies that make more products, where the costs knowledge will be useful in all decisions regarding the orientation of the product portfolio. In this case the involvement of managerial accounting has as its object strategic decision. Strategic decision concerning the orientation of the product portfolio is based on information provided by marketing both in the demand rate or the lifetime of products, as well as managerial accounting information that relates primarily to the profitability of each product range. Moreover, managerial accounting information must ensure the relevance measure of strategic decision taken in order to monitor the operation of strategic decision-making process and therefore to correct, if necessary, selected guidelines.

There are also other reasons of the knowledge products costs such as measuring the value of products or providing information for price control department.

Development of commercially competitive situations and management techniques in the management of economic entities resulted in a better understanding of the internal operating conditions, essentially translated, but not exclusively, in terms of cost. It takes into account the cost structure analysis by product and by functions.

In a market economy, the appreciation of the result is done by comparing the market price with the cost of production. Each producer has an interest to know better its cost structure to determine the exact areas whose activity needs to be improved to provide competitive products in terms of obtaining a profit.

The knowledge of departmental costs, and determination of their structure, is another way to analyze the internal operating conditions. If each department is assigned to a responsible, comparing forecasts and achievements is needed to determine reasons for the differences favourable or unfavourable.

The third objective of managerial accounting refers to the provision of information, becoming more relevant to the assessment of certain elements of financial accounting.

This concerns primarily the evaluation of Inventories and fixed assets. In Inventories evaluation, managerial accounting contribution is considerable. For fixed assets, managerial accounting can be used either on a partial evaluation or a full evaluation. Partial evaluation occurs when managerial accounting produces information on costs, which, added to the purchase price of the asset, leading to determination of total value. Total evaluation takes place when the economic entity achieved through its own production fixed assets.

Although financial accounting and managerial accounting are reflected the same categories of income and expenditure, though views differ. Managerial accounting uses reclassification and regrouping of spending. Determination of costs, on the organizational drives, provides control of each activity centre and a better understanding of the internal conditions of use. Regrouping spending on goods and

services, respond to those three objectives of managerial accounting and, above all, knowledge on product costs. Grouping of expenses by variability, provide better knowledge of the internal operating conditions.

2. THE ROLE OF MANAGERIAL ACCOUNTING IN DECISION-MAKING PROCESS

The chartered Institute of Management Accountants in the UK defines managerial accounting as:

“Managerial accounting is a part of management that deals with identifying, presenting and interpreting information used for:

- The formulation of strategies;
- Planning and control of activities;
- Decision making;
- Uses of resources more effectively;
- Inform members and other external information users;
- Informing employees;
- Protecting assets.” [9, p.17]

Managerial accounting, is primarily dealing with collecting data – from internal and external sources - analyzing, processing, interpretation and communication of information obtained for use by the organization so that the management can plan, make decisions and better control operations. For performance of those tasks will be use data from both the financial accounting system and the managerial accounting system.

Managerial Accounting will use, in addition to accounting techniques, techniques for statistical - operational research, will consider the implications of the human factor in all activities, will focus on economic judgment, however, aiming to obtain relevant information for management.

The information provided by accounting, are also used in financial management. It is considered essential points of financial management, the following: standing problems of the financial department: financing operational cycle: treasury management, bank relations; medium-term development issues: investment choosing, the choice of funding sources; strategic issues: the interpretation of accounting synthesis documents, evaluation of enterprise, business general diagnosis [10, p.10].

Financial Management as the financial decision support, has no direct resources of observation and measurement of phenomena, but appeals the instruments provided by accounting. But the organization of accounting system and structure the financial accounting information, both for recording transactions in the accounts and for obtaining synthesis documents may be appropriate, or not, to financial analysis categories.

Classified in the same gear unity of financial and accounts activities, especially in practical terms, at the level of the functional departments, financial and accounting issues are based on different optics. Although accounting information is, for financial diagnosis, a necessary and especially adapted material to the needs of the financial analysis, financial analysis, however, introduce a change of perspective, as far as showing a time lag between financial and accounting optical. Financial diagnosis, use also no accounting information.

Starting from the above, we can appreciate the main issues that define the **role of managerial accounting in decision making process**, namely:

- Provides to leadership, located on different levels of management, information needed for the decisions, and planning, whether it is for formulating plans to achieve the objectives (strategic planning) or short-term operational plans (budgeting);
- Assist managers in leading and controlling activities by selecting funding alternatives, and the financial resources management (financial management) and by recording of transactions (financial accounting and costs information);
- Motivate managers and other employees, and imposes corrective actions in order to achieve plans;
- Measures the activities performances of managers and other employees;

- Support the finding of the position of the organization over competitors.

Accounting is defined as being the process of identifying, measuring and communicating the financial and non-financial information, allowing value judgments, and taking of decisions by users of this information. In the context of a changing business environment in which the organizations have to face new challenges, they will focus on four key factors: cost effectiveness, quality, time and innovation [11, p.19]. In response to changes in business, management accounting system places great emphasis on the collecting and reporting of non-financial information, quantitative and qualitative variables absolutely necessary in the formulation and implementation of the organization strategy.

Satisfying changing information requirements impose a continuous adjustment of managerial accounting at the decision-making requirements. Strong international competition has generated new philosophy of action, and these ideas have given new directions to managerial accounting. "New methods of operation - such as real-time operating environment (just-in-time JIT) and total quality management (Total Quality Management - TQM) - forcing companies to restructure their production processes and implement new approaches to allocation expenditures and cost accounting. Fully integrated information systems, generates additional pressures on management accounting system. The role of the budget process is now changing. The new strategies and approaches of how to spend capital, generate new forms of analysis" [12, p.855].

Managerial Accounting "contributes to strategic decisions by providing information concerning sources of competitive advantage and supports managers in identifying and strengthening a company's resources and capabilities" [13, p.23].

3. USES OF INFORMATION PROVIDED BY THE COSTS SYSTEM IN DECISION MAKING PROCESS

The potential for business development of an economic entity, always depended on how it managed to recover by selling products/services, all costs incurred by activities, and development was conditioned by the size of the difference between the amount received from sale of products, execution of works or providing services and the costs of those activities. Cost control is for a long time, in the attention of economists, based on the grounds that competitive advantage resulting from the fundamentally value that an organization is capable of creating it, for its customers in such a way as to be higher than costs incurred by the organization for its creation. Value is what buyers are ready to pay, and superior value, derived from offering lower prices than competitors for equivalent benefits, or providing unique benefits that are more than offset a higher price.

Although an economic entity can have many strengths and weaknesses compared to its competitors, there are two types of competitive advantage: the supremacy of the cost (low cost) and differentiation [14, p.16]. The supremacy achievement by cost and differentiation are achieving goals that contradict each other, differentiation is usually costly and often the supremacy of the cost will require to an organization to give in some way to differentiate his product by standardizing and reducing indirect costs for marketing.

In any case, an entrepreneur (considered rational if, given the resources he has, make the decision to produce that good that allows the better use of this resources) know that in order to maximize profit is necessary to minimize the total cost of obtaining a certain level of production or to maximize production obtainable with a given level of costs, optimize therefore the volume and structure of production. In fact, the manufacturer is constrained, ultimately, objectively, by the rigors of the market and competition, to rational behaviour, if it wants to remain on that market [15, p.15]. Achieving this objective is depending on the prices at which goods may be sold.

Also referring to rationality, but in the context of economic globalization, the classical theory [16, pp.58-60] argues that the globalization bond was and remains rationality, the economic activity, even depersonalized by globalization, being guided throughout the world by the same principles of

efficiency. In addition, however important it may be, the political, cultural, ecological factors etc., after all, the economics is what determines the evolution of the globalization process. Managers need a variety of information to plan, control and take decisions. Information regarding the financial aspects of performance is coming from the costs system. This is exemplified in the following table [17, p.17]:

Table no. 3.1. Uses of the information provided by the costs system in management

Information provided by the costs system	Potential uses in management
1. Cost per unit of product	- price decision factor, product planning and controlling costs
2. Divisions, departments or organization costs	- organizational planning, cost control
3. The cost of labour per unit of product or per production period	- production planning, decisions on alternative methods of management, control of labour costs
4. The cost of failed outputs / rectifications	- the materials cost control, production planning;
5. Cost behaviour at the various levels of activity	- level of profit planning, decision of "producing or buy", controlling costs

The production cost is an economic indicator with a wide range of use, with a great reflection of the quality of the activity force. "The cost is used as a criteria for underlying the options, and decisions of each producer, where the effects of the project or projects versions are identical, the criterion of the optimal choice, is the lowest cost" [18, p.73].

The finality of cost can be determined in two ways:

- *Accounting*, expenses incurred by adding, using cost-accounting to know the actual cost, of a particular product (compared with pre-calculated cost);
- *Economic*, when the organization wants to go further with its investigations, willing, with the help of the forecast cost calculations, to take pricing decisions.

Price gains in these conditions, an important role in formulating market strategies, both that reflects, in his level and structure, the conditions of development of production, transportation, marketing activities etc., but also because it reflects external conditions of entity, in which the price will accompany the product until the end of its economic cycle.

Therefore, price strategy, should be embedded in a long term overall strategy because of price setting, depends not just the financing and development of other strategies, but the entire profitability and development of the organization, accessibility to consumer of the product and the extent of demand, market share and competitiveness, the choice of the segment that aims to it, and its behaviour, the nature of the competition responses.

Although opportunities to directly manipulate the price level are limited by a number of restrictions: of internal order (costs of production and circulation, under which the price can be lowered) and external nature (regulations relating to the price or their components, the relative strength between different operators market), to the organization shall remain sufficient opportunities to maintain or improve the level of competitiveness. Regardless of the pricing chosen strategy, the cost is the basis in price determination, because an organization that will sell under costs for long periods will become bankrupt.

In a market economy, the market price is not established directly on cost, but on the possibility of equilibrium at some of its levels of the two components of market supply and demand [19, p.79].

The level of production cost is exclusively the producer problem. Knowing the characteristics of indirect link between cost and price, determines steady concerns of producers to optimize their cost, working on reducing it, in order to ensure the highest possible profit. Direct price competition involves indirectly a competition through cost, to the same price level, winning those producers whose cost is lower.

Therefore in order to hope for some competitiveness, the organization must control the main costs incurred on its Profit and Loss account. Based on the cost structure are identified the key success factors. The cost is thus an endogenous factor of influence, perceived in a permanent change, under the indirect action of the market, which drives often, competitive pressure from price to cost.

The cost of production is omnipresent. From a marketing perspective of the activities of an organization, the cost of production acquires new meanings, leading to an understanding of the difference between the customer perceived value and potential value (one that the consumer can be educated to see into a product), elements of an outstanding importance in selecting the price strategies. There is a common reality for all the organizations namely that the results and the costs are in an inverse relationship, a relationship that can be explained by the following argument [20, p.14]: in a social situation, a very small number of extreme events concentrated at 10 to 20% producing 90% of result, while the vast majority of events producing only 10% of the results. Applied to economics, this argument explains that if 90% of the results of activities produced 10% of events, 90% of costs due to the remaining 90% of events that are not good enough, so the resources and efforts will be allocated to the 90 % of events, which producing virtually no results. Therefore what really matters is not the absolute level of costs, but the relationship between results and effort.

Regardless of decisions alternatives and the final decision on which the organization will choose consumption of production factors is inevitable. It will always ask: "What does it cost the production of good / service?" or "What goods must be produced in what quantities? How to combine factors used in production of these goods? "

The issue of dimensioning activity, in terms of costs and prices, is a specific issue of designing of a system that has objectives such as: profitability, competitiveness, economy.

It is known that the volume of production affects the level of spending, meaning that, increasing it its determining the reduction of the unit cost of product manufactured in this system. The explanation lies in the different movement of expenditure, depending on the volume of production: some of the costs, changes in proportion to the amount allocated to the task and the other remains constant at this change (different components of production costs behave differently in relation with total production, depending on the size of time interval to which they relate). In the economic practice, research undertaken, highlights some difficulties in identifying the function that express correctly the relationship between production size and the unit cost of production. Deterministic models have limitations in this regard because they do not captures the dynamic of regular production factors influence, on the cost of an activity: the variable structure of the production, different wear of the equipment, high variance of commodity prices, the different workload of the work places etc..

As an inconvenience, it highlights the fact that subordinating the activity size only to reason of cost or price; it is difficult to decide on a strategy (development or collapse) in order to achieve objectives.

However, in the total of internal information necessary for decision making, cost information has a special place, because on its basis shall be taken decisions on:

- The estimation of production volume (and therefore its structure) to achieve a certain profit, considered realistic, or practical option of estimation of the profit for a certain volume of production considered achievable, in the analyzed period;
- Setting the selling price of products;
- Acceptance or rejection of occasional orders;
- The extent of investments or the implementation of new technologies;
- Choosing to cooperate with other organizations to manufacture a product, or manufacture the entire product by its own forces;
- Diversification of the organization activities, regarding even the vertical integration.

Information created and managed by cost calculation is considered a commercial secret of the company [21, p.24] and it is designed for the entrepreneur (manager, administrator), as an internal beneficiary, which as a manager must solve problems for allocation and use of resources entrusted by the investor, to achieve performance.

In a systemic view, enterprise system includes analysis and cost control subsystem [22, p.6], which, together with the cost information subsystem, and the formation and calculation of cost subsystem is the premise of a rational approach, from a pragmatic perspective, of overall strategic process of the company.

Meeting competition, complexity and diversity of production processes is necessary for companies to build, and use a system of knowledge of costs of products, works and services so that they can determine selling prices in accordance with market requirements, and achieving expected margins.

The calculation and tracking of the evolution of company's functions costs, is not a purpose in itself. Their organization is motivated by at least two reasons [23, p.28]:

- The changing visions of managers, which occurred with the opening to a market economy, claims a cost accounting information as complete and relevant, able to make it possible intervention to adjust the prices;
- The maintenance of the company on the market under the conditions of an accelerating technological improvement and of an increased competition, requires competitiveness that, among other things, depends on the ability for managers to know the costs and therefore to control them.

Needs to be made the specifying that the information provided by managerial accounting is not limited to the calculation of production costs based on past economic operations, but allow development of estimated costs, standard or the predetermined costs, thus contributing to decisions on [24, pp 182-184]:

- Reducing and eliminating losses in processes of supply, production and sales;
- Reducing the cost of acquisition of goods;
- Increasing labour productivity;
- Optimal use of equipment etc;
- Reducing downtime of equipment and the duration and value of repairs;
- Cease inefficient activities.

The role of managerial accounting, exercised through the decision and control functions, it facilitates access to the management position. From this point of view, managerial accounting can be considered a "decision technique for maximizing profitability."

The company profitability is characterized in terms of managerial accounting informational function. Knowing the trend of costs and prices of products, activities, types of services offered etc., allows the characterization at the analytical level of the company's profitability.

The organization of managerial accounting, and the importance that is given it, in decision-making process, the options for a particular method of costing or another, are considerations with profound implications on current and future profitability of the company.

CONCLUSIONS

Decision-making process is very complex because it is critical for the future of any company. It must generate sustainable competitive advantages so that the company be able to dominate the markets that are in a continuous change. At the same time, any decision-making process, regardless of levels of decision includes an extensive competitive analysis, which covers both the internal and the external environment of the company. This can be achieved by using relevant information from all departments o the organizational structure, in which information, provided by the managerial accounting, is central.

Virtually, without information about costs, the manager may overlook the key issues for profitable management of the company and may choose to compete without benefit of any differentiation.

Changes in the modern society, shows that, with the global economy and its increasing complexity, it is necessary to extend the scope, content and timeliness of economic information, as this are able to provide the necessary elements of decision making, to reflect exactly the patrimonial situation of the company and the economic and financial results.

Given the previously mentioned, it requires resizing the role of economic information within the firm, by reconsidering the structure of information flows, reducing the amount of information, selecting and prioritizing them, increase the efficiency in providing information for various levels of decision-making, establishing a uniform methodology for collecting and processing information, increasing their forecasting character.

As a conclusion, it can be stated that managerial accounting information in decision-making process provides security in forecasting the evolution of economic activity, have a decisive role in the scientific basis for decisions on productive economic activities, offers the possibility of establishing multiple correlations between phenomena and allow multilateral analysis.

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Risk Analysis and Benchmarking

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Abstract: *The instability of the business environment brought in the attention of the company's management, one of the most sensitive aspects, which determines the presence or development, way of action of the organization in relation to future trends. Indicator for the assessment of managerial skills, flexibility of activities in relation to variations of environmental conditions, the performance trend, the risk is currently the most researched aspect of any organization, serving sometimes as a business card in dealing with credit institutions, business partners, state and customers. Tracked as a whole, the ability to produce negative events may be forecasted, if we analyze the common risks that directly affect the company's exercise ability, such as operational risk, business risk, financial risk and the risk of bankruptcy. The analysis of these risks allows their assessment (internal benchmarking) comparing with a standard, and the comparison with the strongest competitor (external benchmarking).. This technique, called benchmarking, is not being used frequently in practice, although its applicability leads to improved performance by identifying weaknesses and adopting best practices, increasing productivity and efficient management of the financial resources, quality and best services. To demonstrate the effectiveness of this management tool, we present the two stages of the procedure, the analysis of the risk indicators and the comparison with the strongest competitor.*

Keywords: *benchmarking, risk, performance practices, strategies, competitive advantages.*

Introduction

To lead your company currently in an environment marked by instability is like making decisions without having access to reports that can provide the necessary data. Some managers have all the necessary tools but they don't use them for reasons such as: lack of confidence in modern technology, incompatibility with the internal system, lack of expertise in implementation, or costs too high. Even if we don't want to automate our business we should be interested in how we can respond in time through our decisions, to all changes. Knowing, comparing and anticipating major risks as bankruptcy risk, operational risk, financial risk, we can influence the positive development of our work, using all resources involved correctly and effectively. Thus, to convince you of the above described, we present a case study focused on analysis and comparison of risks encountered in the company's management.

1. Risk analysis in the company "A" and benchmarking with the company "B"

"A" company (the model selected for benchmarking), acts for over 30 years in aviation and defence systems. Throughout its history, the company has acquired technical and industrial culture that is now a solid basis for continuous development, evolving in conjunction with positioning on the market. Registered trademark of experience as a supplier of products and services contributed to the development of know-how content, technology, level of expertise, specific type, primarily Eastern platforms and a variety of applications. The policy shift from specific diversification strategy and focus on survival to the development areas of excellence, the company "A" marked the successful integration over depth in the highly competitive environment of market economy in 2006-2010. The company is specialized in the manufacture of defensive land systems, maintenance, modernization and integration of systems for civil and military aviation. Also, the company is a base for maintenance and conversion for the civil aviation, manufacturing components, like aero structures and assemblies for aircraft and hydro-pneumatic equipment.

Main categories of risks identified and analyzed in this paper, both for the "A" company and the competitor "B" are: operational risk, business risk, financial risk and the risk of bankruptcy.

1.1. Operational risk

Known as break-even analysis or critical point, that risk shows the company's flexibility against fluctuations in business. Called "critical turnover", break-even point is the point in which revenues from sales of goods, works and services are equal to the costs, the profit is zero. The critical point corresponds to the level of activity that covers all revenue expenditure, indicating that we are in the following situation:

- ✓ if the company has not reached the critical point, it works in loss;
- ✓ if the turnover corresponds to the critical point, the profit is zero;
- ✓ if the volume exceeds the critical point is the activity brings profit. [1, 74]

Based on statistical studies it was observed that companies are in a situation described as follows:

- ✓ Unstable, when the turnover is less than 10% over the break-even;
- ✓ Relatively stable, when turnover is 20% higher than the corresponding deadlock;
- ✓ Comfortable, when the turnover exceeds the threshold of profitability by over 20%.

As the "A" company has a heterogeneous structure of production and the information of the cost structure for each product category are considered confidential, we have determined the overall turnover for the company's break-even, according to the methodology presented in Table 1.

Determining the breakeven point and the "A" company position indicator

Table 1

No.	Specification	Symbol	UM	Period under review				
				2006	2007	2008	2009	2010
1.	Variable expenses	Cv	thousand RON	70,983	82,969	86,216	81,651	79,775
2.	Fixed costs	Cf	thousand RON	55,776	47,503	65,159	66,939	70,059
3.	CA breakeven	CA pr	thousand RON	126,759	130,472	151,375	148,590	149,834
4.	As realized	CA	thousand RON	140,976	139,190	152,697	156,808	158,289
5.	Position indicator	(CA-CApr)/CApr	-	11.22	6.68	0.87	5.53	5.64

The analysis of the turnover in the period 2006-2010 and the breakeven point, reflects an unstable situation. Thus, the position indicator has not recorded values in the range 10-20% (except in 2006), highlighting the unstable economic and financial situation. Comparative analysis through benchmarking situation of "A" company, with the strongest domestic competitor "B", we found that:

- The share of variable costs in the analyzed period was lower for company "A";
- In terms of the critical point (break-even) to make profits, with the exception of year 2007, the "A" firm, which recorded a turnover (sales) of 182.727 thousand RON to 273.796 thousand RON, which represents the breakeven point;

Data analysis is summarized in Table 2.

Benchmarking operational risk

Table 2.

No.	Specification	Symbol	UM	Company "A"			Company "B"		
				2007	2008	2009	2007	2008	2009
1.	Variable expenses	Cv	thousand RON	129,631	86,216	81,651	218,057	110,563	67,391
2.	Fixed costs	Cf	thousand RON	74,781	65,159	66,939	55,170	33,233	26,647
3.	CA breakeven	CA pr	Thousand RON	204,412	151,375	148,590	273,227	143,796	94,038

No.	Specification	Symbol	UM	Company "A"			Company "B"		
				2007	2008	2009	2007	2008	2009
4.	CA realized	CA	Thousand RON	229,416	152,697	156,808	182,727	203,728	141,359
5.	Position indicator	(CA-CApr)/CApr	-	12.23	0.87	5.53	-33.12	41.68	50.32

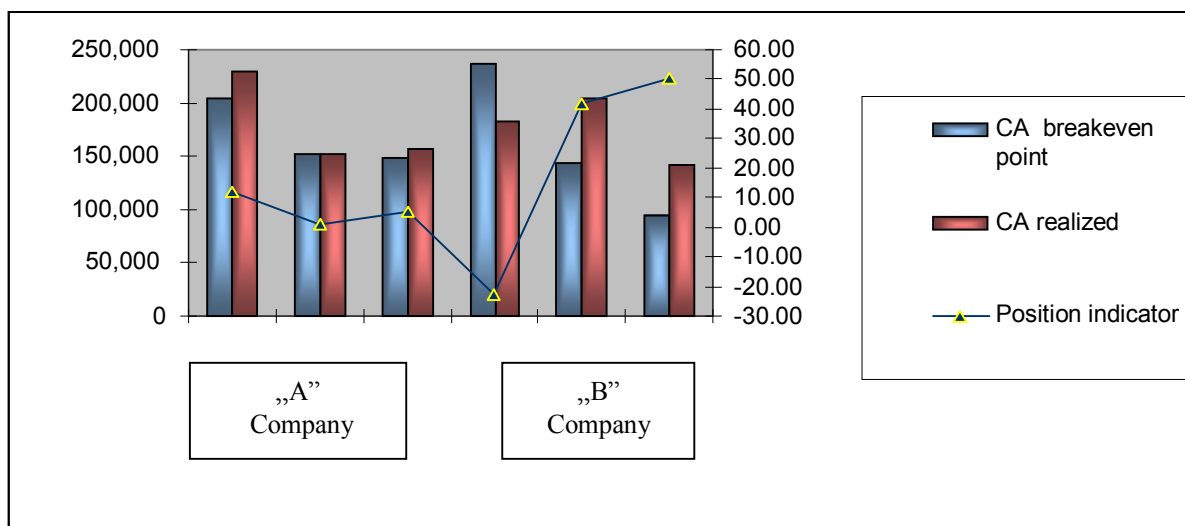


Figure 1. Benchmarking breakeven turnover

1.2. Commercial risk

Commercial risk (CR) is the uncertainty which appears in the collection of receivables and / or to the payment of the suppliers, and is assessed using indicators from Table 3.

Commercial risk assessment indicators

Table 3

<i>The average debt collection (PmIC), representing the average number of days in which to collect receivables turnover period.</i>	$PmIC = \frac{\text{Receivables}}{\text{Turnover}} \times \text{number of days}$
<i>The average payment of suppliers (PmPF), representing the number of days in which providers are paid to turnover in that period.</i>	$PmPF = \frac{\text{Suppliers}}{\text{Turnover}} \times \text{number of days}$

Risk assessment based on indicators is calculated as follows:

PmIC > PmPF	high risk
PmIC = PmPF	medium risk
PmIC < PmPF	reduced risk

Benchmarking trading risk

Table 4

No.	Specification	Symbol	Company "A"			Company "B"		
			2007	2008	2009	2007	2008	2009
1.	Turnover	CA	139,190,732	152,697,736	156,808,447	182,727,423	203,728,133	141,359,174
2.	Receivables	Cr	36,078,883	33,071,554	30,731,024	105,969,407	111,494,951	97,800,518
3.	Suppliers	Fz	11,962,869	11,925,005	7,728,813	43,158,228	26,174,120	10,711,838
4.	The average collection	PmIC	94.61	79.05	71.53	211.68	199.75	252.53
5.	The average payment	PmPF	31.37	28.50	17.99	86.21	46.89	27.66

Comparative analysis indicates a negative aspect, the two companies recording a collection period (resulting in the number of days) calculated for 365 days, much higher, varying between 50% -80% more than during the payment of suppliers.

Graphic differences can be seen in Figure 2

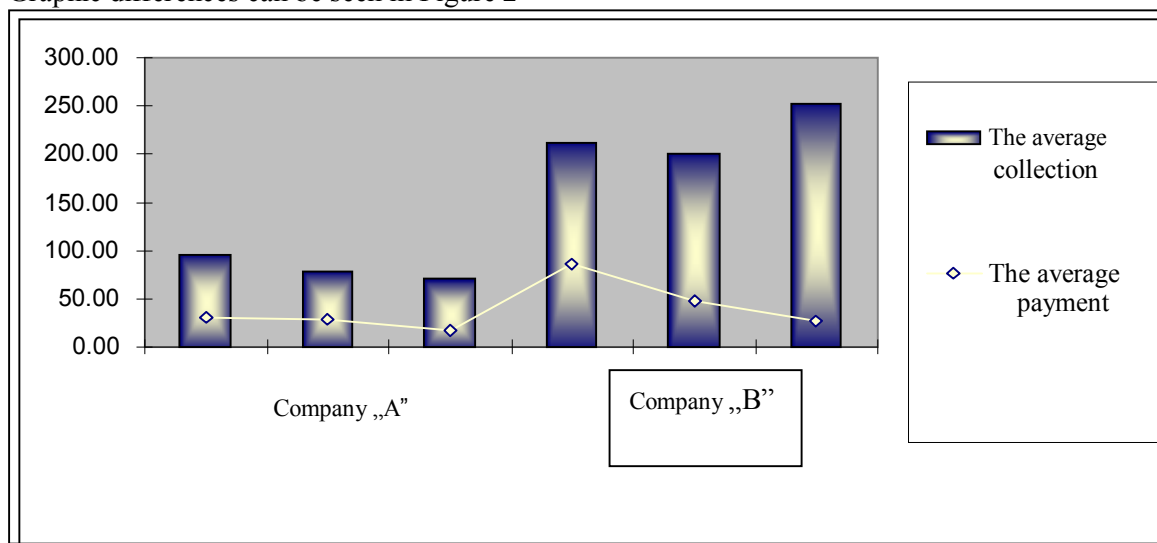


Figure 2. Benchmarking trading risk

1.3. Financial risk

The financial risk is highlighted by financial leverage, which allows quantification of the impact of the loan resources used to finance activities. Its mobility is conditioned by economic rate of return and cost of debt. Using the information provided by the balance sheet and the count of profit and loss, the entity "A" and the previously determined values of economic and financial profitability, we obtain the following results:

Calculation of financial leverage

Table 5

No.	Specification	Symbol	UM	Period under review				
				2006	2007	2008	2009	2010
1.	Equity	Cp	RON	66,823,961	66,532,144	68,461,773	75,566,224	78,877,353
2.	total debts	Dt	RON	29,723,556	25,550,838	32,188,305	18,167,561	15,553,486
3.	financial expenses	Chf	RON	2,269,375	1,814,506	3,965,943	4,014,543	6,150,581
4.	Return on assets	Re	%	16.11	11.60	10.39	12.91	13.30
5.	Gearing (leverage)	$G\hat{=}Dt/Cp$	-	0.44	0.38	0.47	0.24	0.20
6.	Tax share	i	-	0.16	0.16	0.16	0.16	0.16
7.	The interest rate	d	%	7.50	8.75	7.50	10.25	8.00
8.	Leverage	Lf	-	3.22	0.92	1.14	0.54	0.88
9.	Financial return $R_f = Re + Lf$	$R_f=Re+Lf$	%	19.33	12.52	11.53	13.45	14.18

In the case of the "A" company, during the five financial years, $Re > d$ (economic profitability is higher average cost of debt), then R_f is high Re , which is thought to be a favourable situation for the enterprise. If it is intended to maximize the financial return rate - it absolutely makes sense given the need to maximize value to its shareholders - then it can oblige as long as borrowing cost (average rate) is lower economic return. Moreover, the rate of financial return will be in this situation, as much as the ratio Dt / CP will be higher.

Figure 3 presents graphically the evolution of economic and financial rates of return for "A" Company.

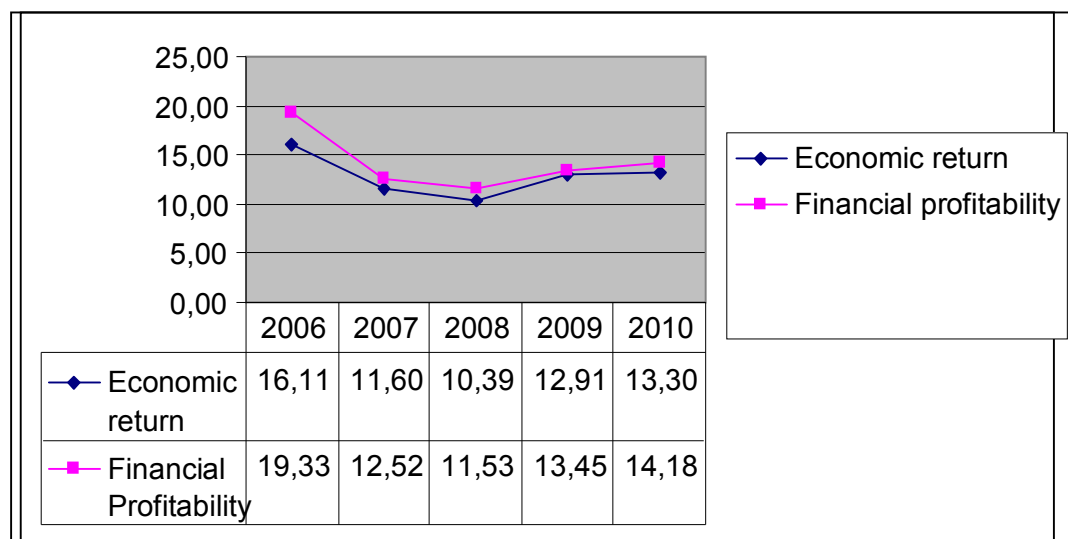


Figure 3. The evolution of economic and financial rates of return in 2006-2010

Benchmarking leverage and financial leverage

Table 6.

No.	Specification	Symbol	Company "A"			Company "B"		
			2007	2008	2009	2007	2008	2009
1.	Equity	Cp	66,532,144	68,461,773	75,566,224	65,171,808	65,612,095	68,405,842
2.	Total debts	Dt	25,550,838	32,188,305	18,167,561	213,808,354	171,507,039	104,913,329
3.	Financial expenses	Chf	1,814,506	3,965,943	4,014,543	11,724,618	35,472,551	16,628,220
4.	Return on assets	Re	11.60	10.39	12.91	2.73	2.50	1.43
5.	Gearing (leverage)	$Gf=Dt/Cp$	0.38	0.47	0.24	3.28	2.61	1.53
6.	Tax share	i	0.16	0.16	0.16	0.16	0.16	0.16
7.	The interest rate	d	8.75	8.75	7.50	8.75	8.00	8.00
8.	Leverage	Lf	0.92	0.65	1.09	-16.59	-12.08	-8.46
9.	Financial return $Rf = Re + Lf$	$Rf=Re+Lf$	12.52	11.04	14.00	-13.86	-9.58	-7.03

Compared with "B" Company, the indebtedness of Company "A", is relatively small, indicating an increase in financial return, risk of loss can not be excluded if the economic profitability is low. Leverage Graph is presented in Figure 4.

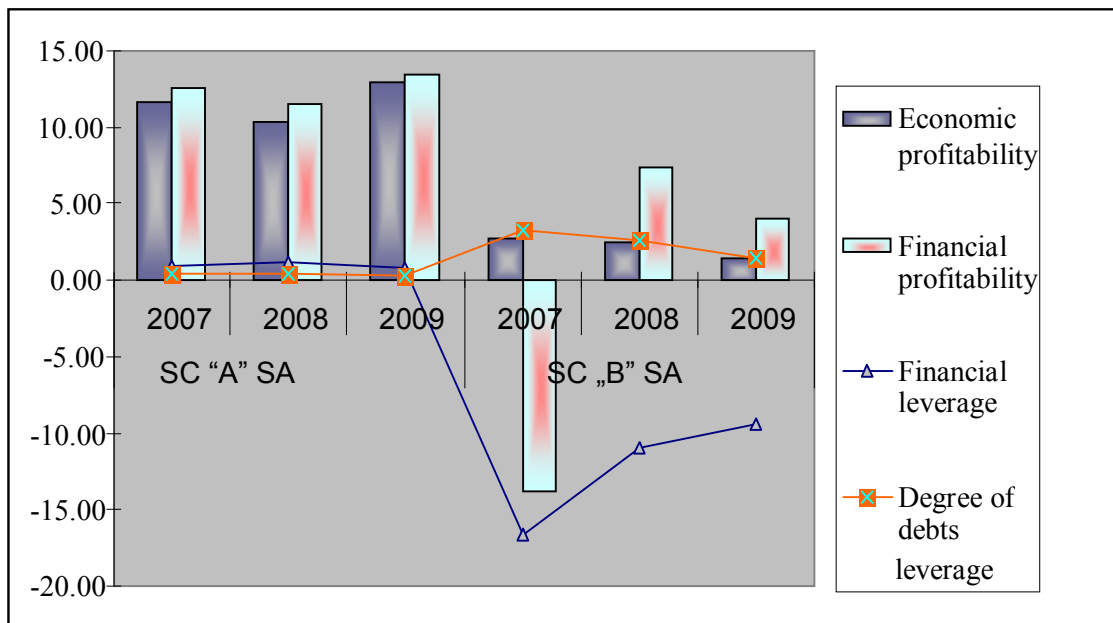


Figure 4. Comparative analysis of financial risk

1.4. The risk of bankruptcy

In the economic theory, were developed other models based on scores method of which the best known are: the J. Conan and M. Holder and Altman model. [2, 243]

Bankruptcy risk analysis using the method scores (Z) model M. J. Conan and Holder, is calculated by the one of the following formula: $Z = 0,24 \times X_1 + 0,22 \times X_2 + 0,16 \times X_3 - 0,87 \times X_4 - 0,1 \times X_5$, variables $X_1 \dots X_5$ are economic and financial indicators, and constants that are amplified they, are indicative of statistical nature, expressing the weight of variables in assessing financial risk. [3, 249] Interpretation of bankruptcy risk will be as follows:

Score value	enterprise situation	probability score bankruptcy risk
$Z \geq 0,16$	very good	Under 10%
$0,1 < Z \leq 0,16$	good	10% - 30%
$0,04 < Z \leq 0,1$	in observation	30% - 65%
$Z \leq 0,04$	risk	65% - 90%

2. The Altman Model

This model is most often used in the industrially developed countries and is based on the following function: $Z = 3,3 \times R_1 + 1,0 \times R_2 + 0,6 \times R_3 + 1,4 \times R_4 + 1,2 \times R_5$

R_1 - rate of return gross	Rezultat brut / Total active
R_2 - asset turnover	Turnover / Total assets
R_3 - financial autonomy	Equity/ Total liabilities
R_4 the rate of profit reinvested	Reinvested profit / Total assets
R_5 - ratio of current assets	Current assets / Total assets

Evaluation and interpretation of results requires classifications in one of three situations, thus:

- ✓ when Z is less than or equal to 1.8 state of bankruptcy is imminent;
- ✓ when Z is greater than three financial situation is good, solvent;
- ✓ when Z is between 1.8 and 3 company's financial situation is difficult, visibly diminished performance and close to the threshold of bankruptcy. In this situation, the company can boost the activity, if appropriate adopt a financial strategy.

Applying Altman model, we obtained the following results, summarized in Table 7 and 8.
Bankruptcy risk calculation in SC "A" SA by Altman model

Table 7.

No.	Specification	Symbol	U.M.	Period under review				
				2006	2007	2008	2009	2010
1.	Total active	At	RON	107,993,624	94,140,518	106,646,060	103,701,297	115,792,973
2.	Turnover	Ca	RON	140,976,614	139,190,732	152,697,736	156,808,447	158,289,213
3.	Profit reinvested	Pi	RON	861,201	545,823	549,232	2,042,597	3,076,856
4.	Equity	Cpr	RON	66,823,961	66,532,144	68,461,773	75,566,224	78,877,353
5.	Total debts	Dt	RON	29,723,556.00	25,550,838	32,188,305	18,167,561	15,553,486
6.	Gross profit	Pb	RON	17,396,720	10,918,559	11,085,258	13,391,222	15,406,077
7.	Assets	Ac	RON	68,937,272	54,987,181	72,297,663	66,508,478	69,576,597
8.	R1	Pb/At	-	0.161	0.116	0.104	0.129	0.133
9.	R2	Ca/At	-	1.305	1.479	1.432	1.512	1.367
10.	R3	Cpr/Dt	-	2.248	2.604	2.127	4.159	5.071
11.	R4	Pi/At	-	0.008	0.006	0.005	0.020	0.027
12.	R5	Ac/At	-	0.638	0.584	0.678	0.641	0.601
13.	$Z=3,3*R1+1,0*R2+0,6*R3+1,4*R4+1,2*R5$	-	-	3.963	4.133	3.872	5.231	5.607

The analysis of scores obtained in the period 2006-2010 shows that the function Z-score threshold recorded higher values of 2.6, showing a good financial situation and risk of bankruptcy exist.

Benchmarking risk of bankruptcy Altman model

Table 8

No.	Specification	Symbol	Company "A"			Company "B"		
			2007	2008	2009	2007	2008	2009
1.	Total active	At	94,140,518	106,646,060	103,701,297	313,592,311	227,102,015	209,747,217
2.	Turnover	Ca	139,190,732	152,697,736	156,808,447	182,727,423	203,728,133	141,459,174
3.	Profit reinvested	Pi	545,823	549,232	2,042,597	428,833	0	150,212
4.	Equity	Cpr	66,532,144	68,461,773	75,566,224	65,171,808	65,612,095	68,405,842
5.	Total debts	Dt	25,550,838	32,188,305	18,167,561	213,808,354	171,507,039	104,913,329
6.	Gross profit	Pb	10,918,559	11,085,258	13,391,222	3,004,247	5,680,315	3,004,247
7.	Assets	Ac	54,987,181	72,297,663	66,508,478	261,028,034	224,896,844	158,563,859
8.	R1	Pb/At	0.116	0.104	0.129	0.010	0.025	0.014
9.	R2	Ca/At	1.479	1.432	1.512	0.583	0.897	0.674
10.	R3	Cpr/Dt	2.604	2.127	4.159	0.305	0.383	0.652
11.	R4	Pi/At	0.006	0.005	0.020	0.001	0.000	0.001
12.	R5	Ac/At	0.584	0.678	0.641	0.832	0.990	0.756
13.	$Z=3,3*R1+1,0*R2+0,6*R3+1,4*R4+1,2*R5$	-	4.133	3.872	5.231	1.798	2.021	2.021

According to the score obtained in the period (values > 3), the company "A" is within the parameters of solvency, while "B", presents a difficult situation, with visibly reduced performance in 2007, but by adopting strategies appropriate financial manages to exceed the critical threshold.

Bankruptcy risk analysis Conan-Holder model using the following results (Table 9).

Determining the risk of bankruptcy by Conan-Holder model

Table 9

No.	Specification	Symbol	U.M.	Period under review				
				2006	2007	2008	2009	2010
1.	Claims	Cr	RON	7,582,347	36,955,757	34,606,109	25,695,909	17,586,980
2.	Availability of money	Db	RON	48,157,505	1,968,774	19,304,753	24,209,064	329,974
3.	Permanent capital	Cpm	RON	68,002,956	67,253,122	69,589,166	75,566,224	78,917,103
4.	Total debts	Dt	RON	29,723,556.00	25,550,838	32,188,305	18,167,561	15,553,486
5.	Total liabilities (total assets)	Pt(At)	RON	107,993,624	94,140,518	106,646,060	103,701,297	115,792,973
6.	Financial expenses	Chf	RON	2,269,375	1,814,506	3,965,943	4,014,543	6,150,581
7.	Turnover	Ca	RON	140,976,614	139,190,732	152,697,736	156,808,447	158,289,213
8.	Staff costs - total	Chp	RON	42,865,950	48,567,245	54,681,733	53,014,636	51,080,040
9.	Value added	Va	RON	74,080,735	59,119,833	72,517,951	80,149,935	84,732,182
10.	Gross operating surplus	EBE	RON	30,343,932	9,483,789	16,773,937	25,946,288	32,901,590
11.	R1	(Cr+Db)/At	-	0.516	0.413	0.506	0.481	0.155
12.	R2	Cpm/Pt	-	0.630	0.714	0.653	0.729	0.682
13.	R3	Chf/Ca	-	0.016	0.013	0.026	0.026	0.039
14.	R4	Chp/Va	-	0.579	0.822	0.754	0.661	0.603
15.	R5	EBE/Dt	-	1.021	0.371	0.521	1.428	2.115
16.	$Z=0,16*R1+0,22*R2-0,87*R3-0,10*R4+0,24*R5$	-	-	0.394	0.219	0.252	0.492	0.588

In the period under review score function-Conan-Holder model, determined according to the recorded values ranging from 0.394 in 2006 and .588 in 2010, the upper threshold of 0.16, proving a very good financial situation and bankruptcy risk slightly under 10% .

Benchmarking risk of bankruptcy by the model M. J. Conan and Holder

Table 10

No.	Specification	Symbol	Company "A"			Company "B"		
			2007	2008	2009	2007	2008	2009
1.	Claims	Cr	36,955,757	34,606,109	25,695,909	105,969,407	111,494,951	97,800,518
2.	Availability of money	Db	1,968,774	19,304,753	24,209,064	7,445,770	14,071,992	19,764,253
3.	Permanent capital	Cpm	67,253,122	69,589,166	75,566,224	256,376,777	103,760,483	68,405,842
4.	Total debts	Dt	25,405,426	32,188,305	18,167,561	213,808,354	171,507,039	104,913,329
5.	Total liabilities (total assets)	Pt(At)	94,140,518	106,646,060	103,701,297	313,592,311	227,102,015	209,747,217
6.	Financial expenses	Chf	1,814,506	3,965,943	4,014,543	11,724,618	35,472,551	16,628,220
7.	Turnover	Ca	139,190,732	152,697,736	156,808,447	182,727,423	203,728,133	141,359,174
8.	Staff costs - total	Chp	48,567,245	54,681,733	53,014,636	31,796,583	33,090,931	25,851,459
9.	Value added	Va	59,119,833	72,517,951	80,149,935	42,652,934	65,247,110	41,441,745

No.	Specification	Symbol	Company "A"			Company "B"		
			2007	2008	2009	2007	2008	2009
10.	Gross operating surplus	EBE	9,483,789	16,773,937	25,946,288	10,664,021	31,808,816	15,278,193
11.	R1	(Cr+Db) /At	0.413	0.506	0.481	0.362	0.553	0.561
12.	R2	Cpm/Pt	0.714	0.653	0.729	0.818	0.457	0.326
13.	R3	Chf/Ca	0.013	0.026	0.026	0.064	0.174	0.118
14.	R4	Chp/Va	0.822	0.754	0.661	0.745	0.507	0.624
15.	R5	EBE/Dt	0.373	0.521	1.428	0.050	0.185	0.146
16.	$Z=0,16*R1+0,22*R2-0,87*R3-0,10*R4+0,24*R5$	-	0.219	0.252	0.492	0.12	0.031	0.032

Evaluation results indicate that the two companies recorded above the Z score of 0.16, described in terms of creditworthiness, score "very good" likelihood of bankruptcy risk is approximately 10%. The risk of bankruptcy is one of the most important indicators for credit institutions calculated to analyze the creditworthiness of the applicant. Calculation and evaluation methodology is presented in table 11, 12 and 13. [2, 292]

Scoring indicators used in the analysis of bankruptcy risk

Table 11

No.	Indicators	20 points	15 points	10 points	5 points
1.	General liquidity	>2,1	1,6 – 2,1	1,3-1,6	1-1,3
2.	Solvency assets	>30%	20%-30%	10%-20%	0,1%-10%
3.	Gross profit margin	>5%	3%-5%	1,5%-3%	0,1%-1,5%
4.	Return on equity	>10%	6%-10%	3%-6%	0,1%-3%
5.	Indebtedness	0-0,25	0,25-0,50	0,50-0,75	0,75-1

Depending on the score, each economic agent with legal will be allocated to one of the following categories of reliability, as follows:

Types of reliability

Table 12

Category A	85-100 points
Category B	70-84 points
Category C	50-69 points
Category D	25-49 points
Category E	< 25 points

Interpretation of the classification categories of creditworthiness

Table 13

Category A	Financial performance is very good and allows payment at maturity and interest rate. Also looming in the future maintenance and financial performance at a high level.
Category B	Financial performance is good or very good, but can not maintain this level in the longer perspective.
Category C	The performances are good but have a tendency to worsen.
Category D	Financial performance with an obvious cyclical low at short intervals.
Category E	Financial performance shows substantial likelihood of loss and may not be paid or due and no interest rates.

Bankruptcy risk analysis of SC "A" SA BRD model is presented in Table 14.

Benchmarking risk of bankruptcy is presented in Table 15.

Determination of reliability indicators in the form BRD

Table 14

Nr. crt.	Specification	Symbol	UM	Period under review				
				2006	2007	2008	2009	2010
1.	assets	Ac	RON	68,937,272	54,987,181	72,297,663	66,508,478	69,576,597
2.	current liabilities	Dert	RON	28,355,332	24,671,948	30,954,426	18,100,006	13,407,109
3.	equity	Cpr	RON	66,823,961	66,532,144	68,461,773	75,566,224	78,877,353
4.	total active	At	RON	107,993,624	94,140,518	106,646,060	103,701,297	115,792,973
5.	gross profit	Pb	RON	17,396,720	10,918,559	11,085,258	13,391,222	15,406,077
6.	Turnover	Ca	RON	140,976,614	139,190,732	152,697,736	156,808,447	158,289,213
7.	net profit	Pn	RON	13,450,668	10,146,868	9,503,724	10,209,987	11,276,413
8.	total liabilities	Pt	RON	107,993,624	94,140,518	106,646,060	103,701,297	115,792,973
9.	general liquidity	Ac/Dert	-	2.43	2.23	2.34	3.67	5.19
10.	general liquidity	Lg	point	20	20	20	20	20
11.	patrimonial solvency	Cpr/At	%	61.88	70.67	64.20	72.87	68.12
12.	patrimonial solvency	Sp	point	20	20	20	20	20
13.	Gross profit margin	Pb/Ca	%	12.34	7.84	7.26	8.54	9.73
14.	Gross profit margin	Rpb	point	20	15	15	15	15
15.	Return on equity	Pn/Cpr	%	20.13	15.25	13.88	13.51	14.30
16.	Return on equity	Rrf	point	20	20	20	20	20
17.	Gearing	Dert/Pt	-	0.26	0.26	0.29	0.17	0.12
18.	Gearing	Gî	point	15	15	15	20	20
19.	TOTAL SCORE	POINTS		95	95	90	90	95

In the period under review, resulted using the BRD model score, recorded values in the range 85-100 points. "A" Company thus falls reliability category. This entails the conclusion that the company recorded good financial performance, allowing payment at maturity of liabilities. Also looming in the future maintenance and financial performance at a high level.

In terms of creditworthiness, the company "A" to stay in first class, full of confidence, which means that she can call anytime to finance borrowing, investment, upgrading, integration of new markets. With ongoing investment program, financed by credit, maintenance platform development, the company "B", the analysis falls into the category B, the transition to C, motivated amidst growing indebtedness and collection period.

Company, the organizational system, a component of overall operating environment named according to its ability to adapt quickly with minimal effort, any change in business environment. Thus, based on two basic components of the environment, the risk measured by means of sensitivity analysis is often the basis for decisions, because they relate to future actions that are directly conditioned by a variable number of technical, human economic and legal. Assessing, comparing and tracking their progress are necessary in the context of the event to prevent negative effects such as default, bankruptcy.

No.	Specification	Symbol	UM	Company "A"			Company "B"		
				2007	2008	2009	2007	2008	2009
1.	assets	Ac	RON	54,987,181	72,297,663	66,508,478	261,028,034	224,896,844	158,563,859
2.	current liabilities	Dcrt	RON	24,671,948	30,954,426	18,100,006	191,204,969	133,356,651	104,913,329
3.	equity	Cpr	RON	66,532,144	68,461,773	75,566,224	65,171,808	65,612,095	68,405,842
4.	total active	At	RON	94,140,518	106,646,060	103,701,297	313,592,311	227,102,015	209,747,217
5.	gross profit	Pb	RON	10,918,559	11,085,258	13,391,222	8,576,669	5,680,315	3,004,247
6.	Turnover	Ca	RON	139,190,732	152,697,736	156,808,447	182,727,423	203,728,133	141,359,174
7.	net profit	Pn	RON	10,146,868	9,503,724	10,209,987	8,349,032	4,822,130	2,713,747
8.	total liabilities	Pt	RON	94,140,518	106,646,060	103,701,297	313,592,311	227,102,015	209,747,217
9.	general liquidity	Ac/Dcrt	-	2.23	2.34	3.67	1.37	1.69	1.51
10.	general liquidity	Lg	point	20	20	20	15	15	10
11.	patrimonial solvency	Cpr/At	%	70.67	64.20	72.87	20.78	28.89	32.61
12.	patrimonial solvency	Sp	point	20	20	20	15	15	20
13.	Gross profit margin	Pb/Ca	%	7.84	7.26	8.54	4.69	2.79	2.13
14.	Gross profit margin	Rpb	point	20	20	20	15	10	10
15.	Return on equity	Pn/Cpr	%	15.25	13.88	13.51	12.81	7.35	3.97
16.	Return on equity	Rrf	point	20	20	20	20	15	10
17.	Gearing	Dcrt/Pt		0.26	0.29	0.17	0.61	0.59	0.50
18.	Gearing	Gi	point	15	15	20	10	10	15
19.	TOTAL SCORE	Points		95	95	100	75	65	65

Conclusions

Supervision of competition should be one of the current concerns of any organization, whereas the analysis of models of best practices implemented by them can lead either to a transfer of know-how or where appropriate, to obtain a competitive advantage in a transposed sustainable financial performance. Although it is one of the most controversial management techniques because requires handling an impressive volume of data, that has to be of the same nature, measurable and comparable benchmarking can be focused on strategic management, financial, operational, information and technology innovation. We used this method as suitable activities analyzed companies whose equipment, supplies and services are relatively standardized and easy to assess. Variability depending on the power consumption is reduced and the data generated by the financial and technical processes are available, directly observable without the use of sophisticated procedures.

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Benefits of Options in Foreign Currencies in International Economic Relations

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Abstract: *Currency option is a contract that grants the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time. For this right, a premium is paid to the broker, which will vary depending on the number of contracts purchased. Currency options are one of the best ways for corporations or individuals to hedge against adverse movements in exchange rates.*

Transactions in options have emerged from ancient times to meet the investment needs of economic agents. Attestations on such instruments go up in 3500 BC the Phoenicians and Romans used similar contracts with options contracts today on commercial goods shipped to their ships. So, people tend to associate options with speculation - wrong in some measure because the options have emerged as a way of hedging business and not as a speculative instrument. The appearance of speculators in these instruments had the effect of accelerating the development of this market.

In the U.S. options were initially traded privately among merchants. Immediately after the creation of NYSE (New York Stock Exchange) in 1790, investors have tried to form an organized market on which to trade options. Despite these efforts, the options market has remained very limited until the early 1900s.

Starting with 1975 options has become very popular and other stock exchanges have realized that it offered great potential. Thus the American Stock Exchange and Philadelphia Stock Exchange started to trade options is immediately followed by the Pacific Stock Exchange and the New York Stock Exchange.

Keywords: *currency, currency risk, exchange rates, call option, put option*

INTRODUCTION

Currency risk is one of the many types of risk to which an enterprise is exposed. It results mainly from the participation in foreign trade enterprise, from making capital investments in nature or outside the country or attracts financing in the form of the loan settled in foreign currencies. Relatively high volatility that we observe in recent years on foreign markets may be a factor unfavourable influence on financial results or the company's position in relation to competition. Decline in export revenue, higher costs of raw materials or imported goods or increase the costs of borrowing - these are the main problems that may arise from an improper management of currency risk. Risk management means reducing the variations in the value of assets and debt components generated by the expected or planned values.

The main types of currency risk can be defined as follows:

- Sovereign risk - refers to the risk of political instability in a particular country
- Currency risk - refers to the existence of restrictions on ownership and transfer of certain currencies, the existence of foreign control
- Translation risk - the risk resulting from the accounting records. The registration of a foreign operation can lead to a change in the accounting value of external operations without the existence of major changes in the balance sheet. This occurs when different exchange rates used to evaluate the same set of assets. Since exchange rates change any time when there are floating exchange rates, a quarterly consolidated statement will show the changes in value related operation using only effective exchange rates instead of the previous quarter.

- Transaction risk - the risk associated with potential gains and losses from a transaction that is sensitive to exchange rate changes. This refers to any transaction which results in an invoice or a payment to be made in foreign currency. Thus, the main elements of the transaction risk are receivables, payables, repatriation of earnings or dividends, repayment of loans or interest income from all denominated in foreign currency.

1. BENEFITS OF CURRENCY OPTION CONTRACTS

Currency risk can be eliminated theoretically by using derivatives. A company is able to conclude an agreement or a contract to sell or buy another asset exchange. Derivatives may eliminate or reduce some risks, but at the same time, create or exacerbate other risks.

Currently, there are hundreds of different derivatives that operate on international financial markets, from the simplest to the most complex and risky. Banks and companies need to know in detail the use derivatives and have good control of them before entering the derivatives market.

A derivative is a financial instrument based on the performance of goods or financial instruments sold separately. Thus, derivatives are financial instruments with prices determined or “derived from” the prices of other financial instruments, commodities, exchange rates, interest rates, indices or other prices. Based on the active support, a financial instrument can be defined as that instrument whose value changes with changes in interest or exchange rates. Basically, a derivative is an agreement between two counterparties, whereby they agree to transfer an asset or a sum of money on or before a specified future date at an agreed price.

A derivative is a financial instrument that meets all the following conditions:

- Its value depends on the value of an asset base;
- Requires no initial net investment or an initial investment less than that required for other assets with similar response to market changes;
- It is settled at a later date.

Derivatives are characterized by:

- Nature of the engagement (firm or conditional);
- The nature of the support asset (foreign currency assets, interest-bearing asset);
- Duration of the contract

Derivatives are used for a variety of purposes including:

- protect against market risk for financial losses resulting from business transactions and financial instruments;
- reduction or modification of various financial risks;
- obtain income from arbitrage made between derivatives and money markets;
- achieving profits by trading in financial instruments
- speculation, in particular, on currency and commodity markets.

The main derivatives used by managers of financial institutions to reduce risk, are forward contracts, futures transactions, options and swaps.

Derivatives can be used for:

- cover risks - isolation and transfer of some risk, interest rate, foreign exchange, credit;
- arbitrage - exploiting imbalances between different markets (e.g. between foreign exchange and money market - interest) - an important role in balancing markets;
- speculative purposes - confirm the forecasts of market developments.

Considering the types of risks, the most widely used instruments are:

- for interest rate risk, financial instruments used are interest rate swaps, FRA, interest rate futures, options;

- for exchange rate risk, financial instruments used are: forward, futures exchange, foreign exchange swaps, foreign exchange options.
- for market risk, financial instruments used are forward stock futures stock, stock options.
- for credit risk, financial instruments used are: credit default swap, total return swaps, credit-linked notes.

Option contract is a standardized contract that gives the buyer the right but not the obligation, to buy or sell the underlying asset of the contract (for goods, currencies, securities, futures or other financial instruments) at a predetermined price, called exercise price, a sum paid to the seller to conclude the contract, called premium, in a predetermined time period.

Option transactions have emerged from ancient times to meet the investment needs of economic agents. Attestations on such instruments go up in 3500 BC the Phoenicians and Romans used contracts with terms similar to those options today on commercial goods shipped to their ships.

So, people tend to associate options with speculation which is wrong in some measure because the options have emerged primarily as a way of hedging specific business that exposes you and not as a speculative instrument. The appearance of speculators in these instruments made to accelerate the development of this market.

U.S. options

As in Europe, the U.S. options were initially traded privately among merchants. Immediately after the creation of NYSE (New York Stock Exchange) in 1790, investors have tried to form an organized market on which to trade options. Despite these efforts, the options market has remained very limited until the early 1900s.

Until April 26, 1973, when he formed CBOE (Chicago Board Options Exchange), options traded only in the system "over the counter. During this period a call or put options dealer usually make his advertising in the daily Wall Street Journal, pointing out options that were offered that day. An investor who wanted to sell or buy options should contact the dealer and to conclude the transaction.

In order to implement an orderly market for contracts with options, CBOE has suggested creating an intermediary organization to standardize and regulate these contracts. This organization is now known as the OCC (Options Clearing Corporation) and is currently owned by the stock exchange that trades options exchanges.

CBOE has revolutionized the trading of options contracts by providing a secondary market and guarantee transactions. If at the beginning the right to trade in stock exchange sold \$ 10,000, with time it reached the amount of \$ 450,000.

Starting with 1975 options have become very popular and other stock exchanges have realized that it offered great potential. Thus the American Stock Exchange and Philadelphia Stock Exchange started to trade options immediately followed by the Pacific Stock Exchange and the New York Stock Exchange.

Options in Europe

European stock exchanges have rallied the new requirements of investors who interact economically worldwide. More complex device risks led to the development of protection mechanism, the options were introduced to trading in the euro economy.

Thus, Europe's most important stock exchange traded options are: Berlin Stock Exchange, Frankfurt Stock Exchange Munich Stock Exchange, Budapest Stock Exchange, Irish Stock Exchange (ISE Xetra), Tel Aviv Stock Exchange, Amsterdam Power Exchange, Euronext LIFFE, Oslo Stock Exchange, Warsaw Stock Exchange Barcelona Stock Exchange Berne Stock Exchange, Swiss Stock

Exchange, Istanbul Stock Exchange, Baltic Stock Exchange, Euronext LIFFE, FTSE International, the International Petroleum Exchange, the London Commodity Exchange (Euronext LIFFE), London Stock Exchange, International Market, London Traded Options Market (Euronext LIFFE).

Currently the options contracts are traded over 50 stock exchanges in 38 countries.

Options in Romania

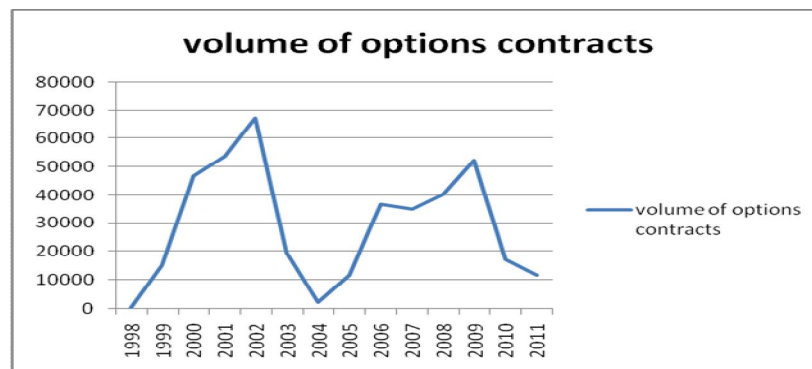
In Romania, the only stock exchange that can trade options contracts is Sibex, these products were launched in November 1998. Options on futures contracts traded on the Sibex offers investors new opportunities that each of them to express and to manage larger and more secure its financial interests.

Sibiu Stock Exchange offers investors options with the underlying futures contracts on 19 stocks traded on Bucharest Stock Exchange and currencies (RON / EUR, RON / USD, EUR / USD), interest rate (BUBOR3) and indices (SIBEX9 and SIBEX18).

Although options trading volume segment is significantly smaller than that recorded on futures contracts, the flexibility of option contracts give investors opportunities to develop highly effective strategies.

Basically, with options can control the degree of investment risk from very low (if simple purchase options) to very high (selling uncovered options), within these limits finding a large number of combinations.

On their introduction on Sibex market, options contracts have the following dynamics:



Currency options markets made major operations to conduct trade and international cooperation.

Currency options markets consist of the following components:

- “en detail” market - participating customers who buy or sell options contracts to protect themselves from risk effects of international economic relations;
- “en gros” market - operates commercial banks and investment banks that aim to strengthen the position of clients and taking speculative positions.

Currency options contracts are distinguished by way of negotiation:

- options contracts traded on the interbank markets that are distinguished by the fact that changes based on agreement between banks and enterprises;
- standardized options contracts that traded on the options markets and the differences are settled through the chamber of compensation.

European options can be exercised at maturity, and American options ensure the right to exercise during contract performance.

Currency options markets participate in exporters, importers, investors, banks and speculators. Currency options markets reflect the transactions of sale and purchase of standardized contracts between different participants.

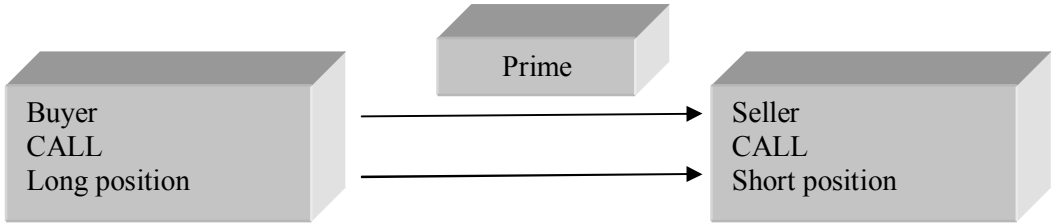
Currency option contract is a relation between two parties which secure the right of option to buy or sell a currency amounts at a specified price on a certain date.

- an option buyer acquires the right to buy (call option) or sell (put option) the amount of currency at maturity (European option) or any time up to maturity (American option) a particular price and the right to cancel the transaction;
- an option seller has the obligation to sell (call option) or buy (put option) the amount of currency at maturity (European option) or any time up to maturity (American option) a certain price;
- the value of option contract vary depending on the markets where currencies options are negotiated;
- currencies to buy or sell on options markets are the currencies that are traded on spot markets and forward markets;
- exercise price is the rate at which they sell or buy currencies and is determined by the two sides of the option contract;
- the price option called "prime" is the amount that the buyer pays the seller to offset some of the risk;
- duration of an option is limited by contract;
- options can be sold or redeemed so that the parties to the contract may cancel obligations or lose rights of the contract.

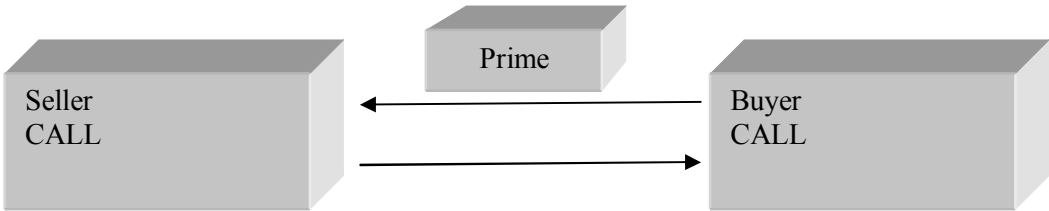
Buy option - CALL secure the right buyer to exercise the option at maturity (European option) or to maturity (American options) and to receive an amount in foreign currency at a rate determined, or to stop buying.

Sell option - PUT offers the buyer the right to sell a specific amount of currency at maturity (European option) or to maturity (American options) at a rate determined, or give up for sale.

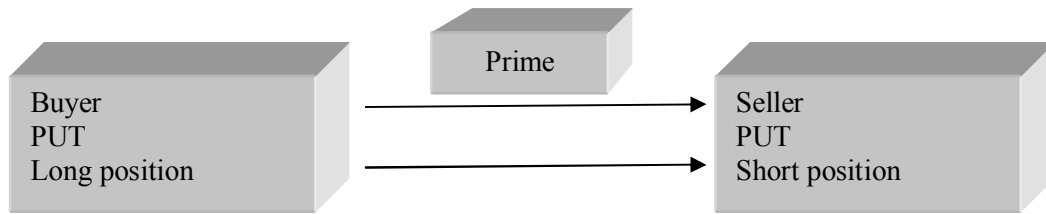
A call option buyer acquires the right (but not the obligation) to buy a certain amount of currency in exchange for prime.



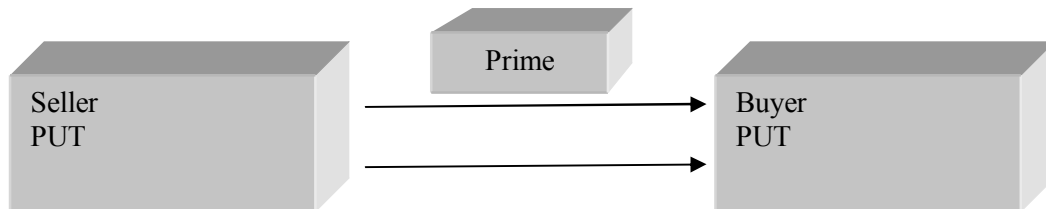
Selling a CALL option requires the seller to deliver the foreign currency amount at maturity at an exchange rate provided by the option contract.



Buying a PUT option gives the buyer the right to sell the currency at the rate of the contract or to drop the sale at maturity or to maturity.



Selling a PUT option requires the seller to receive a the foreign currency amount at a price set, at maturity or until maturity.



The prime to be paid on currency options contracts consists of the actual value of a currency option and the period value. The actual value of a currency option reflects gains that can be obtained if the option is exercised immediately.

The actual value of an American buy option is the difference between spot price (CV) and exercise price (PE), because the option can be exercised at any time up to maturity.

$$V_{i_a} = CV - PE$$

The actual value of a European buy option is the difference between forward price (CT) and exercise price (PE), because the option can be exercised at maturity.

$$V_{i_e} = CT - PE$$

The actual value of an U.S. sell option is determined by the difference between the exercise price and the rate of the currency.

$$V_{i_a} = PE - CV$$

The actual value of a European put option reflects the difference between the exercise price and currency exchange rate at the time.

$$V_{i_e} = PE - CT$$

Period value, which reflects the difference between the option price (prime) and intrinsic value, depends on the following factors: the duration remaining until maturity (because, as the deadline approaching, the period value is diminished), the differences between the currency interest rates and currency exchange volatility.

The difference between the option exercise price and the currency exchange rate reflect as follows:

a). Options in the money (cash):

- CALL option buyer realized gain (C) if the exercise price (EP) is lower than the spot market rate;

$$C = CV_s - EP$$

- PUT option buyer obtains a gain in case the exercise price is higher than the rate on the spot market;

$$C = EP - CV_s$$

b). Options out of the money (no money):

- CALL option buyer obtains a loss (Pi) if the exercise price is higher than the rate on the spot market;

$$P_i = EP - CV_s$$

- PUT option buyer can record loss if the exercise price is lower than the spot market rate;

$$P_i = CV_s - EP$$

c). Options at the money (the money) option buyer does not record any gain or loss, because the exercise price is the spot market rate.

$$PE = CV_s$$

Getting a call option provides a gain if the spot currency market exceeds the exercise price plus prime.

A call option buyer assumes risk of loss which is limited to prime or can succeed, if the value exceeds the critical point.

$$\text{Gain} = \text{spot rate} - (\text{exercise price} + \text{Prime})$$

Selling a call option can provide a limited gain (prime) or loss depending on the evolution of the exchange rate of currency option contract.

The seller of a call option can record loss if the currency rate of the contract options fall below the critical point.

Buying a PUT options can provide gain if the exercise price is higher than the spot rate plus prime for foreign currency options in the contract.

$$\text{Gain} = \text{exercise price} - (\text{Course} + \text{first sight})$$

PUT option buyer risks losing the prime which pays the seller, but may gain if the value exceeds the critical point.

Selling a PUT option allows obtaining a limited gain or loss depending on the evolution rate of the currency option contract.

Loss which can record by a put option seller depends on the ratio of foreign currency market and the exercise price the option contract.

Exporters, who are to collect the amounts in foreign currency from exports to certain terms, buy put options to protect against currency risk. If the contract currency appreciates until maturity, exporters give up option and sell the currency of the contract at the spot rate on the currency market. If the currency depreciates to maturity, the exporter uses the option, because get a better rate than the spot currency market.

Importers, who have to pay amounts in foreign currency for goods purchased, contract buy options to defend themselves against currency risk. If the currency depreciates until maturity, the importer gives up option because he can buy foreign currency at a rate more advantageous on the spot market. If the contract currency tends to appreciate, the importer uses the option of buying because they buy currency at a contracted rate better than the spot market.

Currency options give buyers the chance to exercise their right of choice or give up if the exchange rate on the spot market is disadvantageous.

There are several variants of simple options to buy (call option) and the option to sell (put options). These are known as exotic options. The most popular versions of the options are:

- options over-the-counter (OTC) options are those at the counter to meet the customer needs. Are known as options “knock-in” or “knock-out”, which means that they become active and expire when the intrinsic exchange prices are made.
- Options “look-back” are those that give the right to buy or sell at the lowest price reached during these intrinsic currency options during the option term;
- Asian options are options whose intrinsic value is calculated by comparing the prices set by sellers and the average spot price during the life of the options;
- Options for options: an option granting the right to buy an option.

In financial practice there can be found other types of options, such as:

- Exchange traded options - are all options traded on stock exchanges or organized markets and they are financial assets.
- Guarantees - negotiable options that are traded like securities that give the buyer rights conditioned to sell or buy from, the issuer of a security or debt.
- Bond conversion options - are options that allow the holder to convert the bonds into shares.

Options are used in the following situations:

- When there is exposure to currency risk or interest rate;
- To protect investments
- For flexibility
- Imposing a contract currency terms
- International Trading of price-sensitive goods

Options should be used by the following institutions:

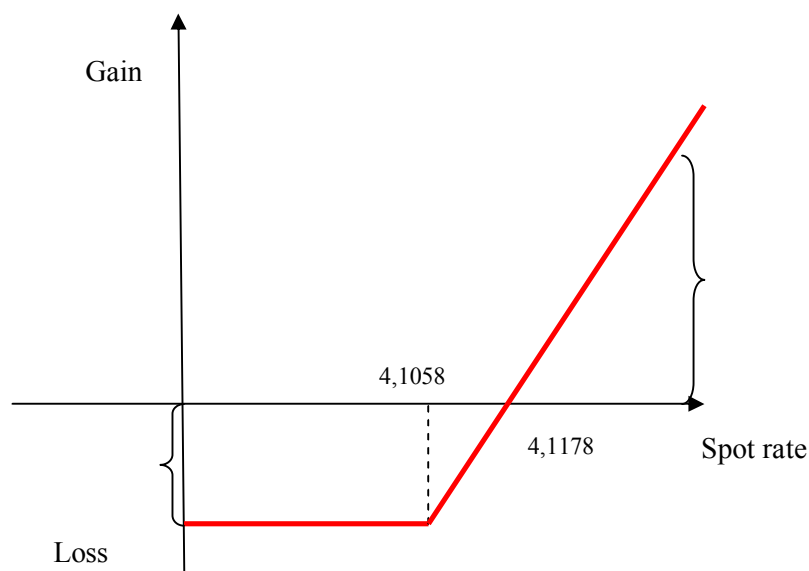
- Treasuries companies which make transactions in multiple currencies
- Banks and financial institutions in order to make transactions and protect against currency risk
- Every company which needs to reduce its risks

2. CURRENCY OPTION CONTRACTS - CASE STUDY

To understand how the currency options market works I have proposed the following case study:

CALL Options

A Romanian importer signed a import contract valued at 1 million euros in June. Payment will be made in December. To avoid the risk of euro appreciation, the importer chooses as a means of hedging options, buying call options (a contract value of 50,000 euros) at an exercise price of 4.1058. The prime paid for a contract is of 0,012 lei for 1 euro.



Depending on the evolution of the spot rate, the importer will have the following options for action:

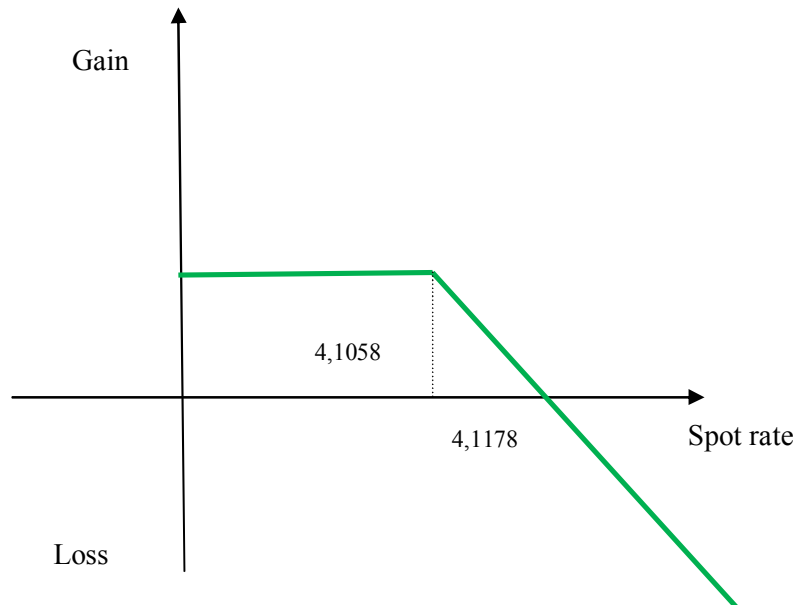
- If at maturity the spot market is lower than the exercise price (4.1058), he would prefer not to exercise his option because he could buy euros on the spot market cheaper. The importer's loss will be limited to 600 RON / contract, which represents the contract prime related to a CALL contract.

- If at maturity the spot market is higher than the exercise price, but lower than the amount of exercise price and prime (e.g. 4.1100), he prefers to exercise his option because CALL contracts allow the purchase of foreign currency cheaper. Following this decision, the result of the importer is composed of two components:
 - a loss equal to 600 RON / contract related to a contract represents the prime of CALL option;
 - a gain from favourable foreign exchange differences (from 4.1100 to 4.1058) * 50,000 = 210 RON / contract
- overall result is $210 - 600 = - 390$ RON
 - in conclusion in such a case the importer would prefer to exercise the option because it will reduce the loss.
- if the spot market rate at maturity is equal to the exercise price plus prime (4.1178), he prefers to exercise his option because CALL contracts offers the opportunity to buy currency cheaper than the spot market. 4.1178 quotation is neutral because the exchange rate favourable difference covers the prime paid for a contract. Following this decision, the result consists of two components importer:
 - a loss equal to 600 RON / contract related to a contract represents the prime of CALL option;
 - a gain from favourable foreign exchange differences (from 4.1178 to 4.1058) * 50,000 = 600 RON / contract;
 - overall result is neutral: $600 - 600 = 0$ RON
- if at maturity the spot market rate is higher dead point (e.g. 4.1300), he prefers to exercise his option because CALL contracts allow the purchase of foreign currency cheaper. Following this decision, the result of the importer is composed of two components:
 - a loss equal to 600 RON / contract related to a contract represents the prime of CALL option;
 - a gain from favourable foreign exchange differences (from 4.1300 to 4.1178) * 50,000 = 610 RON / contract;
 - overall result is $610 - 600 = 10$ RON
 - In conclusion in such a case the importer would prefer to exercise the option because it will record a profit.

In conclusion, the importer, as a result of using CALL options may record a loss limited (600 EUR / contract) or a theoretically unlimited gain depending on the evolution rate RON / EUR on the spot market.

Starting from the previous example, the seller CALL options can be found in one of these situations:

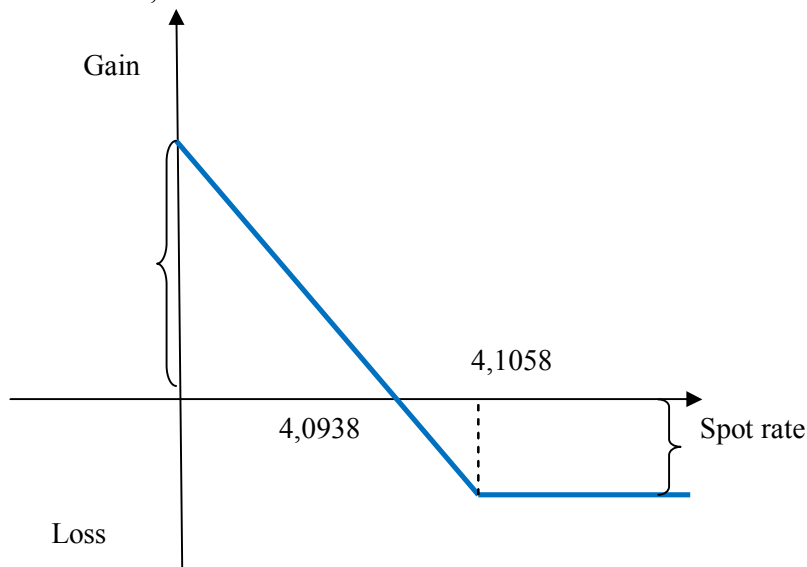
- register a fixed income of 600 RON for each contract, as long as the RON / EUR spot market price is lower than the exercise price of the contract, 4.1058 RON / EUR.
- If the spot market will be found in the range between the exercise price and dead point (4.1178 RON / EUR), the seller will record a profit will decrease until it is equal to 0 when the spot rate will be 4.1178 RON / EUR.
- If the spot market is higher than dead point CALL option seller will start to record losses.



In conclusion, the seller of CALL options will register a gain limited to 600 EUR / contract or an unlimited loss depending on the evolution of the EUR / USD spot market.

PUT Options

A Romanian exporter signed a export contract valued at 1 million euros in June. Payment will be made in December. To avoid the risk of depreciation of the euro, the exporter chooses as a means of hedging options, buying put option (a contract value of 50,000 euros) at an exercise price of 4.1058. The prime paid for a contract is of 0,012 lei for 1 euro.



Depending on the evolution of the spot rate, the exporter will have the following options for action:

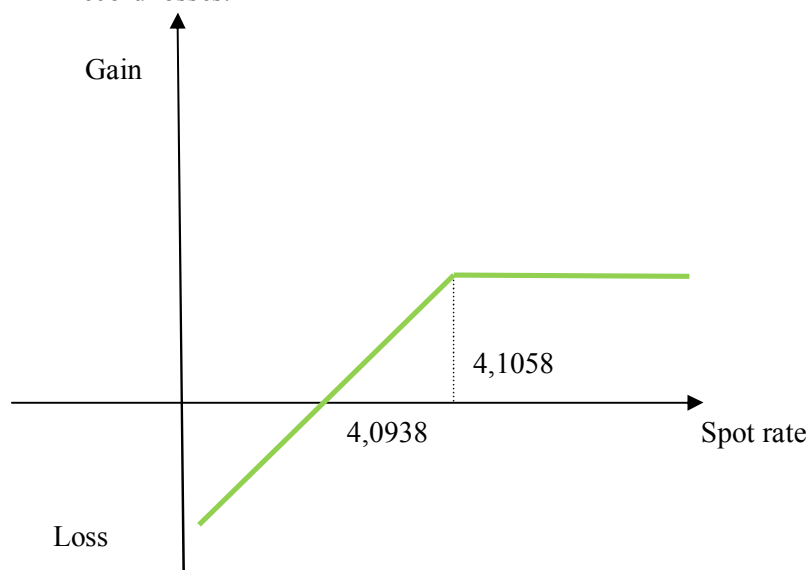
- in the event that at maturity the spot market is higher than the exercise price of 4.1058 RON / EUR, the exporter would prefer not to exercise its option and sell EUR at the spot market to a higher rate. Thus the exporter shall limit its loss on the first, 600 RON for each contract.
- in case the spot market price is below the exercise price, but the upper dead point (4.0938 RON / EUR), for example 4.1000 RON / EUR, the exporter will prefer to exercise the option because the PUT contracts allow the sale EUR over the spot. Following this decision, the result exporter consists of two components:
 - a loss equal to the prime of 600 RON / contract;

- a gain from foreign exchange differences (from 4.1058 to 4.1000) * 50,000 = 290 RON / contract;
- result of the operation will be 290-600 = - 310
- In conclusion, the exporter, prefers to exercise his option because it will reduce the loss.
- in case the spot rate equals the exercise price minus the prime (4.0938), the exporter prefers to exercise his option because PUT contracts offers the opportunity to sell the EUR over the spot. 4.0938 quotation is neutral because the exchange rate favorable difference fully cover the prime paid for a contract. Following this decision, the result exporter consists of two components:
 - a loss equal to the prime of 600 RON / contract;
 - gain from favourable foreign exchange differences (from 4.1058 to 4.0938) * 50,000 = 600 RON / contract
 - neutral overall result is 600-600 = 0 RON
- in case the spot market is lower dead point (e.g. 4.0900), the exporter will prefer to exercise its option because PUT contracts give the opportunity to sell the EUR over the spot. Following this decision the result recorded by the exporter will be composed of two components:
 - a loss equal to the prime of 600 RON / contract;
 - gain from favourable foreign exchange difference (from 4.1058 to 4.0900) * 50,000 = 790 RON / contract;
 - overall result will be 790-600 = 190 RON
 - In conclusion in such a case the exporter will prefer to exercise their option a profit.

In conclusion, the exporter, as a result of using PUT options, may record a loss limited to the prime of 600 EUR / contract or an important gain of the evolution rate on the spot market.

Starting from the previous example, the seller PUT options can be found in one of these situations:

- register a fixed income of 600 EUR / contract as long as the spot market is higher than the exercise price of 4.1058.
- If the spot rate is ranging between 4.0938 and 4.1058, the seller will record a profit that decrease until it reaches zero when the spot rate will be equal to 4.0938.
- If the spot market rate is lower dead point, the seller of PUT options will begin to record losses.



In conclusion, the seller of PUT options will record a profit limited to 600 RON / contract or will record losses depending on the evolution of currency spot market.

CONCLUSIONS

On the basis of hypothetical situations presented in this paper we wanted to highlight one of the possibilities that the companies can take to protect themselves against currency risk. To take advantage of these opportunities companies need an attractive and active capital market. Unfortunately, the Romanian capital market is relatively less developed. Capital market development can be achieved through better promotion of the benefits offered.

Supplementary recommended readings

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*** www.bvb.ro

*** www.sibex.ro

The Static Equilibrium Analysis Based on the Functional Balance Sheet

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Abstract: *The financial analysis, by means of its concepts, methods and investigation tools allows the treatment of accounting information and other management information for the financial diagnosis, being useful both for the company’s finances and for third parties with which it has economic relations.*
The static analysis focuses on the study of the accounting balance sheet, of the financial balance sheet (liquidity, solvency) and of the functional balance, with working means in assessing financial equilibrium.
This article aims to present the objectives of functional balance analysis, the construction stages of the functional balance as well as the analysis indicators of financial equilibrium both horizontally and vertically.
Keywords: *analysis, equilibrium, balance sheet*

Introduction

The analysis aims at measuring the financial equilibrium among the company needs and their financial resources in terms of functions (cycles) that characterize the company’s activity:

- *the operational function*, which, by covering the phases supply – production – sales, has a direct impact and, most importantly, on the cash flow;
- *the investment function*, which affects the cash flows starting with the capital allocation for investment and ending with the recovery of its initial value through amortization;
- *the financing function*, concerning the transactions that occur between the company and suppliers of capital (shareholders and creditors) to cover the gap between the input and output cash flows generated by the operating and investment functions.

1. Construction of Functional Balance Sheet

According to the functional conception, financial needs and resources are grouped in accordance with their nature, purpose or function, hence the origin of the term „functional analysis” (Figure 1):

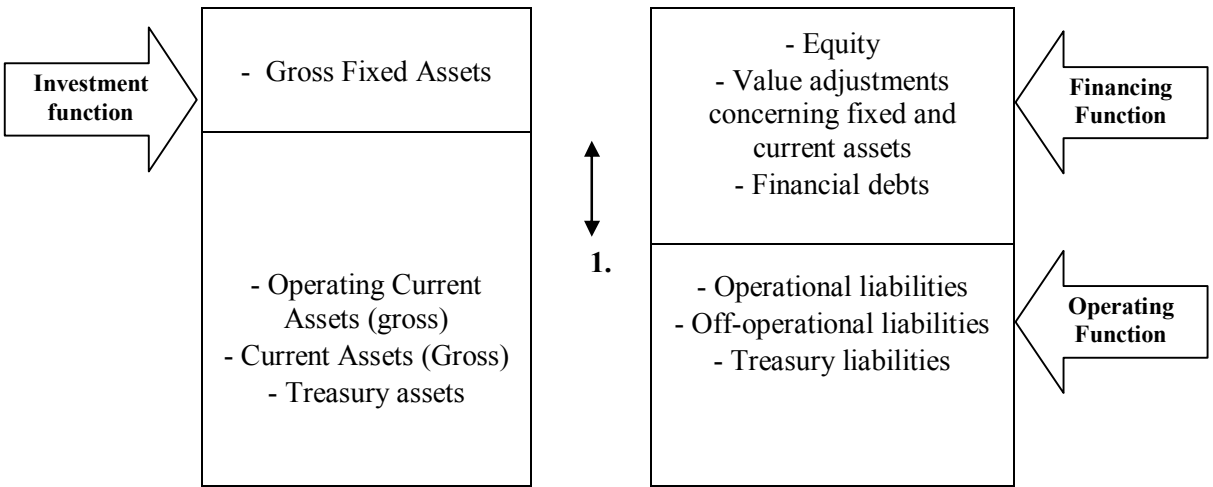


Figure 1. Structure of functional balance sheet

The development of functional balance takes into account the following aspects:

- the evaluation of assets and liabilities according to economic rules, to obtain real financial information;
- grouping of assets in *stable needs* and *cyclical needs*;
- grouping of liabilities in *stable resources* and *cyclical resources*;
- grouping needs and resources into two categories: related to operating activities and non-operating activities;
- distinct emphasis of treasury elements in both assets and liabilities;
- calculation of the balance sheet structures on the basis of the restatement of the elements in the balance sheet assets and liabilities:
 - to the net value of assets in the accounting balance sheet (fixed assets and current assets) there are added the afferent value adjustments, and in the functional balance sheet they are taken by the gross value through the appropriate growing of its own resources;
 - the possible revaluations of tangible and financial assets, which lead to the modification of their historic cost by recording some revaluation differences have to be neutralized [1]. Thus, the revaluation differences must be decreased both from assets, respectively from the value of fixed assets, and from liabilities, from the measure of its own resources;
 - the entry in assets (to stable assets) and in liabilities (long-term) of the assets held in operational leasing, management location or rented;
 - expenses made in advance are considered operating cyclical assets or non-operating assets, as appropriate;
 - undue expected effects are included in assets, at receivables and in liabilities, at short-term loans;
 - the reimbursement premiums of bonds are not eliminated from assets, but assimilated to investments, and, as a result, are taken by fixed assets.

In synthesis, the construction of the functional balance sheet, as a result of the restatement of different posts of the accounting balance sheet, according to their affiliation to the functions of economic activity, is presented in Figure 2 (this schema expresses a particular case of the functional equilibrium, the schematic representation being made for each and every situation).

2. Analysis indicators of financial equilibrium

2.1. Horizontal analysis of financial equilibrium

Starting from the equilibrium that must exist between the duration of a financing need and the duration of an appropriate financing resource, the functional balance sheet has four levels, as follows:

- the level of stable needs (NS) and that of stable resources (RS), which generate the functional working capital or the global net working capital (FRNG);
- the level of current operating assets (ACE) and operating liabilities (DE), which determine the operating working capital (NFRE);
- the level of current non-operating assets (ACAE) and non-operating liabilities (DAE), which determine the necessary non-operating working capital (NFRAE);
- the level of cash (DPB) and of the treasury loans (CRT), which generate net treasury (TN).

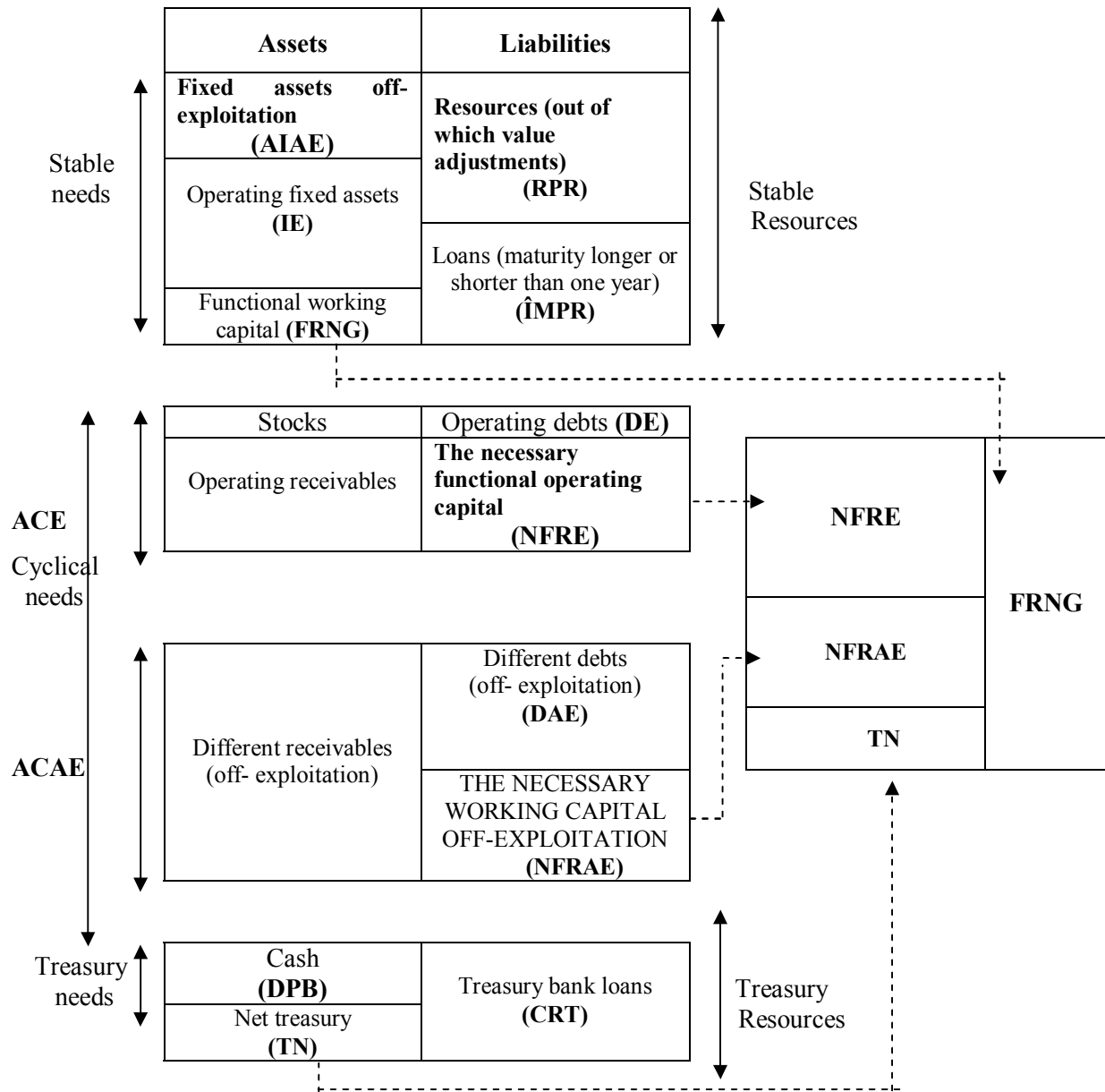


Figure 2 The construction of the functional balance sheet [2]

where:

- ACE – operating current assets
- $ACAЕ$ – non-operating current assets

2.1.1. Global net (functional) working capital

In accordance with the financing rules, the global net working capital (FRNG) can be calculated in two ways:

- The first method takes into account the elements afferent to the financing and investment function:

$$FRNG = RS - NS$$

In this acceptance, we take into account the external origin of the working capital as surplus generated from the liabilities of the functional balance sheet used for the financing of the operating cycle operations.

According to the measure of the two financial masses, the global net working capital can be found in the following hypothesis:

- $FRNG > 0$, when $RS > NS$, emphasizes a surplus of stable resources as compared to the stable needs that can be used for the financing of other needs of the company;
 - $FRNG = 0$, when $RS = NS$, involves a total harmonization of stable resources with stable needs;
 - $FRNG < 0$, when $RS < NS$, reflects an insufficiency of working capital. In the case of industrial companies, this situation is favourable, if it is the effect of a massive investment policy in a period of up to 2 years.
- *The second method* takes into account the elements afferent to the operating function:

$$FRNG = (ACE + ACAE + DPB) - (DE + DAE + CRT)$$

In this acceptance, the working capital emphasizes the aspect of company solvency, through the comparison of cyclical needs and treasury needs with cyclical and treasury resources. The method reflects better the use of working capital by emphasizing its finality, that is the financing of the operating cycle.

If the working capital is superior or inferior to the needs involved in exploitation, the company will have cash, or, on the contrary, it will be forced to contract new short-term loans for the financing of operating needs.

2.1.2. The necessities of the functional working capital

The necessities of total functional working capital (NFRT), as a result of the second and third level of the functional balance sheet, comprise:

$$NFRT = NFRE + NFRAE$$

where:

$$NFRE = ACE - DE \quad \text{and} \quad NFRAE = ACAE - DAE$$

The necessities of operating working capital represents that part of operating cyclical needs which is not covered by cyclical needs and which must be financed from the company stable needs, such as :

Stocks
 + Operating debts
 + Expenses registered in advance concerning exploitation
 - Suppliers
 - Fiscal and social liabilities afferent to exploitation
 - Income registered in advance from exploitation
 = *NFRE*

The necessities of operating working capital (the necessities of financing created by the company exploitation) determine gaps in time between the phases of the product creation process and the date of cashing from sales. These gaps lead to the holding of certain assets (stocks, debts) which are partially financed through credit – suppliers. The difference between the value of these assets and the sum of their financing expresses *the residual need to finance*. This need fluctuates due to seasonal or random variety of activities. For a given running pace it is a stable average value [3].

However the necessities to finance can be amplified by economic laws characteristic for certain resources: the existence of capacity costs (NFRE 1, Figure 3) forces to payment in account, before the introduction of the cycle, of the reunited means for the capacity to face clients' demand. *The indivisibility of resources* that the company consumes when the activity begins (common variable costs) has the same consequences, especially if it is not optimized through their consumption (NFRE 2) [4].

If the purpose is to determine the necessities of operating working capital for a product, there must be identified the operating assets generating this product: raw material stocks, current production, half-finished materials, finished products, clients' debts. The real difficulty concerns the accounting

evaluation, which offers this measure of the necessary working capital, little reliable in absolute value [5].

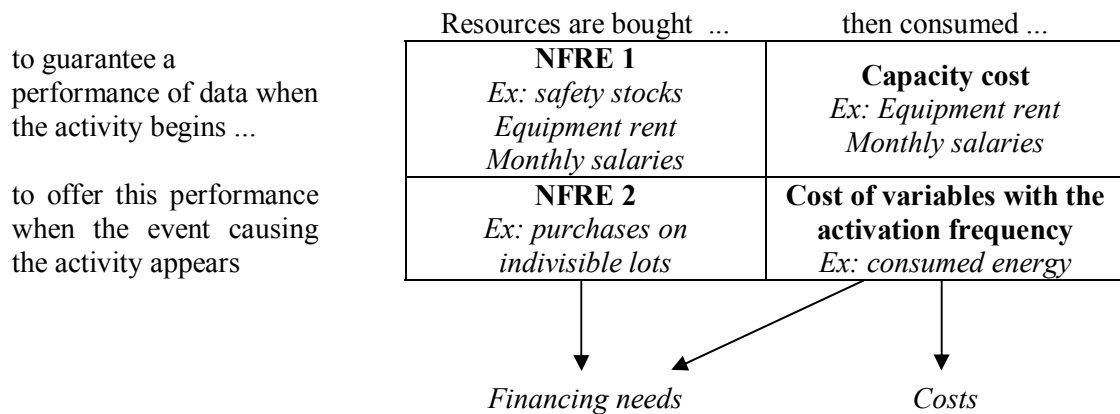


Figure 3. Needs for resources [6]

NFRE analysis can emphasize the following situations:

- $NFRE > 0$, means a surplus of temporary cyclical needs in relation to temporary cyclical possible to mobilize resources. The situation can be considered normal if it is the result of an investment policy to increase the financing needs of the operating cycle or if it is determined by the increase of sales and of the production cycle duration following the introduction of more complex products in the technological process. Otherwise, NFRE highlights an unfavourable gap between the liquidity of stocks and operating receivables and the chargeability of operating liabilities, a well as the existence of motionless or slow moving stocks. A characteristic is the situation of companies working in industry, these having usually very large inventory and receivables, while obligations are lower;
- $NFRE < 0$, shows a surplus of temporary cyclical resources in relation to the needs of the operating activity. This can be judged favourably, as the result of the acceleration of inventory rotation and operating receivables and liabilities with longer maturities; otherwise, it reflects an unfavourable result following certain interruptions in the flow of supplies and production. This is specific to companies active in trade or services, having, as a rule, null receivables (the collection is made in cash), low stocks and high obligations (the payment of obligations is made on longer terms, since the company is in a position to „blackmail” suppliers, under the pretext of insuring sales for large and very large quantities of goods, guaranteed collection, etc.).

NFRE can also be analyzed according to the **field** in which the analyzed company operates, *for example:*

- the companies, in industry, record, in general, a positive NFRE, while for retail trade companies, NFRE is negative (this being a short-term financing resource, but generated permanently, which can finance fixed assets);
- a high NFRE is recorded in sectors with long manufacturing cycles;
- a low NFRE is recorded in sectors with short manufacturing cycles;
- whole sale trade companies register a high level of NFRE as compared to retail companies;
- smaller companies usually present more important levels of NFRE (an example is the situation of some small boutiques as compared to that of big shops, which register most often negative levels of this indicator).

The necessities of non-operating working capital correspond to those needs outside the operating cycle, which are not financed from cyclical resources and must be covered from its own resources, as follows:

- Different receivables off-exploitation
- + Short-term investments
- + Expenses recorded in advance off-exploitation
- Different debts off-exploitation
- Income recorded in advance off-exploitation
- = *NFRAE*

According to the measure of its components, the necessities of non-operating working capital can be found in the following hypotheses:

- $NFRAE > 0$, signifies a surplus of temporary needs outside the operating cycle in comparison with the temporary resources outside the operating cycle, which are possible to mobilize. In this context, there must be identified supplementary financing resources to finance some activities that are not related to the company operating activity.
- $NFRAE < 0$, emphasizes a surplus of temporary resources outside the operating cycle in comparison with the needs of the operating cycle. In this case, *NFRAE* represents a resource for the operating activity, contributing to the company financial equilibrium.

On the other hand, attracting additional financial resources, at zero cost (the debts taken into the calculation of *NFRAE* and *NFRE* are characterized by a zero cost) may be a solution to achieve financial balance. *Such examples are settlements with shareholders or the state budget.* Thus, the dividends due to shareholders can be paid with some delay, if the financial situation at that time requires it and there are no adverse effects on their confidence in the company's real performances.

Some companies in Romania have practiced the operating activities financing system on account of non-payment (or at least the delay of payments) of debts to the state budget. This behaviour was supported to some extent by the Romanian state, which allowed the operation of this system, by the absence of measures such as freezing accounts at the bank, and finally, by accepting debt rescheduling, or even the cancellation of these debts. Although there is a cost for this financing resource (delay penalty), the appeal to this financing technique may be more attractive than contracting loans on the banking market or issue of shares, the manager being inclined to opt for the cheapest resource.

Taking into consideration that *NFRT* ($NFRE + NFRAE$) represents financing necessities, it can be provided on account of the working capital.

Synthetically, the calculation of the working capital need can be realised by two categories of methods, as it is shown in Table 1:

The calculation of working capital based on the financial and functional balance sheet

Table 1

According to the financial balance sheet	According to the functional balance sheet
$NFR = (\text{Current assets} - \text{Cash}) - (\text{Short-term debts} - \text{short-term loans}) = (\text{Current assets} - \text{Cash}) - \text{Short-term obligations}$	$NFRT = \text{Cyclical needs} - \text{Cyclical resources}$ In this case, the necessities of working capital are formed of the operating part (<i>NFRE</i>) and the non-operating part: $NFRE = \text{Operating cyclical assets} - \text{Operating cyclical sources}$ $\text{Non-operating cyclical assets} - \text{Non-operating cyclical sources}$
$NFR = (\text{Stocks} + \text{Receivables}) - \text{Short-term loans}$	
The need for working capital essentially means the current assets of inventory nature and of unfunded receivables due to short-term obligations (drawn sources). The short-term obligations as those to suppliers, employees, budget, etc. until their payment, are a drawn source (which does not bear interest) to finance current assets.	The measure <i>NFRE</i> is influenced by the nature of activity, the duration of the manufacturing cycle, the rotation of stocks and receivables, level of activity, etc. If <i>NFRT</i> is positive, it is considered to be normal only if it is the result of an investment policy to increase the need for financing the operating cycle. Otherwise, it reflects a negative gap between the

	<p>liquidity of stocks and receivables and the chargeability of operating liabilities.</p> <p>If, on the contrary, NFRT is negative, it means a surplus of temporary resources compared with temporary needs, the situation being favourable only if it is the consequence of the rotation acceleration of current assets and of contracting debts with longer maturities. Otherwise, the situation is negative because it is caused by temporary interruptions in the supply and renewal of stocks or in production.</p>
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It is very important to make the distinction between „operating” and „non-operating”, in order to locate the possible financial disequilibrium. (in the main activity or in exceptional activities) [7].

2.1.3. Functional net treasury

The treasury is strongly connected to the short-term financial operations made by the company.

In the functional balance sheet, treasury is presented as a balance resulted from comparing the cash temporary needs (assets treasury) with the cash temporary resources (liabilities treasury):

$$TN = NT - RT = TA - TP$$

where:

NT – need for treasury

RT – treasury resources

TA – assets treasury

TP - liabilities treasury

The assets treasury include cash, cash equivalents and investment securities, and liabilities treasury include treasury credits (on short term), possibly the credit balance of the bank account [8].

On the other hand, the functional net treasury is the final point of the functional balance sheet, which expresses the financial balance in terms of the correlation between the global net working capital and working capital needs, as follows:

$$TN = FRNG - NFRT$$

In practice, there can exist the following situations:

- $TN > 0$, when $FRNG > NFRT$, emphasises a good financial situation of the company. Treasury surpluses can be used to achieve profitable investment securities, easily negotiable on the capital market;
- $TN = 0$, reflects the perfect equilibrium of net treasury by the integral covering of the total necessities of working capital by the global net working capital;
- $TN < 0$, when $FRNG < NFRT$, signifies disequilibrium of treasury, and thus it is necessary to use current bank loans.

In accordance with the double-entry principle in the construction of the functional balance sheet: *Assets = Liabilities*, the fundamental relation of treasury is represented in Table 2.

The optimal strategy for financing the necessities of working capital expresses the arbitration between the stable resources and the cyclical ones, which ensures the lowest purchase cost of capital.

2.2. Vertical analysis of financial equilibrium

The vertical analysis aims to reflect the relationship between the vertical structural elements of the functional balance sheet and the changes occurring in the stable and cyclical resources and needs.

According to the functional balance sheet there can be built the following categories of rates:

- rates characterising the liabilities structure, as expression of the financing resources origin;
- rates characterising the assets structure, as expression of the company economic needs;

- rates characterising the financial equilibrium by the combination of resources and needs of the functional balance sheet.

The fundamental relation of treasury

Table 2

NS	<p>Assets = Liabilities $NS + NC + NT = RS + RC + RT$ $NC + NT - RC - RT = RS - NS$ $(NC - RC) + (NT - RT) =$ $= RS - NS$ $NFRT + TN = FRNG$ $TN = FRNG - NFRT$</p>	RS
NC		RC
NT		RT

In assessing the financial equilibrium according to the structure of resources, the following indicators are used:

- *Rate of global financial autonomy* (R_{AFG}):

$$R_{AFG} = \frac{\text{Own resources}}{\text{Total liabilities}}$$

This indicator expresses how much of the company patrimony is financed by its own resources. The minimum admitted value is 0.3. Although it is considered that own resources have to contribute to financing in a quantum of at least 0.5.

- *Global indebtedness rate* (R_{IG}):

$$R_{IG} = \frac{\text{Total debts}}{\text{Total liabilities}}$$

This indicator expresses how much of the company patrimony is financed by debts, regardless of their duration and origin and is complementary to the rate of financial autonomy.

In assessing the financial equilibrium according to the structure of economic needs, the following indicators are used:

- *Rate of fixed assets* (R_{AI}):

$$R_{AI} = \frac{\text{Fixed assets}}{\text{Total assets}}$$

This indicator measures the economic resources available to the company on a permanent basis, in total assets. Also, there can be determined partial indicators by relating the tangible, intangible and financial fixed assets to total assets.

- *Rate of current assets* (R_{AC}):

$$R_{AC} = \frac{\text{Current assets}}{\text{Total assets}}$$

This indicator is complementary to the rate of fixed assets and measures the economic resources available the company necessary to develop the operating cycle. In the decision-making process there operate analytical rates concerning the capital stock rate, the rate of trade receivables, treasury assets rates.

In assessing the financial equilibrium according to the interaction between resources and needs, the following indicators are used:

- *Fixed assets financing rate or functional working capital rate (R_{FI}):*

$$\checkmark R_{FI} = \frac{\text{Stable resources}}{\text{Gross fixed assets}}$$

$$\checkmark R_{FI} = \frac{\text{Global net working capital}}{\text{Gross fixed assets}}$$

This rate expresses in relative terms an indicator equivalent to that of the working capital in absolute value, an over unitary value signifying the fact that all fixed assets are financed by stable resources.

- *The financing rate of the working capital needs (R_{NFR}):*

$$R_{NFR} = \frac{\text{Global net working capital}}{\text{Working capital needs}}$$

This indicator emphasises the appropriate proportion in the working capital which finances the most stable part of current assets.

- *Rate of treasury credits (R_{CT}):*

$$R_{NFR} = \frac{\text{Treasury credits}}{\text{Necessaries of working capital}}$$

This rate is complementary to the financing rate of the necessaries of working capital and measures the extent to which the company undertakes short-term bank loans to supplement the capacity of self-financing of the operating activity.

Conclusion

In comparison with the financial balance sheet, the construction and analysis of the functional balance sheet has the following advantages:

- it applies the principles of appropriating resources to specific needs;
- it aims primarily the nature of assets and liabilities, not liquidity and chargeability;
- it eliminates the judicial, accounting and fiscal aspects that prevent the reflection of the real economic and financial situation of companies.

The construction and analysis of the functional balance sheet based more on empirical criteria than on theoretical principles and rules (the determination the cash balance for each function, contrary to the principle of cash unity; favouring the stable financing which is more expensive to cover the necessaries of working capital, the concept of subordinating balance treasury at the top of the balance sheet), do not underestimate the role of this type of balance sheet that suggests exclusively to the company management the need to understand the correlation of financing needs with financing resources for each functional cycle in the development of activities.

The financial analysis involves not only the retrospective examination of the conditions of result formation, the structure of used assets and capital, but at the same time, investigates the elements that determine the future evolution of the company (investments and their financing, financial flows).

The financial analysis based on flows becomes a complementary element of the static analysis, for the following reasons:

- the balance sheet supplies a „stock” vision of the company past, as its content (uses and resources) emphasises the effects that past decisions continue to have on the present situation;
- the previous period operations are reflected in the present as current operations without taking into account the evolution of conditions and norms of financial and economic behaviour.

In this context the balance sheet provides insufficient information on the evolution of the financial mechanism for the previous period. It is therefore necessary a dynamic approach to financial equilibrium in terms of “flow”, with financing tables as financial documents

- *the situation of financing flows* or the “needs – resources” table, analysis instrument of the variation of the global net working capital (FNRC), the working capital needs (NFR);
- *the situation of treasury flows*, analysis instrument of net treasury variation.

The management of the company imposes the balance sheet the satisfaction of multiple goals - of information and control of economic activity, comparative analysis and substantiation of decisions on the future period. Theory has demonstrated and practice has confirmed the balance sheet, as a basic informational and decisional tool of management.

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The Role of SMEs in the Current Economic Configuration

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Abstract: *Socio-economic situation caused mutations in strategic plan and operational and economic system-level organizations. In this respect, the current concerns of SMEs aims at ensuring the necessary working capital and medium term, maintaining market share and define strategies able to provide acceptable levels of profitability. Consequences of globalization are felt primarily at SMEs in increasing competition and raising the competitiveness of the market accepted. An increased role is as strategic investments and SMEs to adapt to environmental changes so as to develop a competitive advantage.*

Keywords: *globalization, competitiveness and European integration.*

INTRODUCTION

At European level, SMEs account for approximately 90% of business structure and ensure a relevant part of GDP and employment, all of which are characterized by different connections more or less articulated, more or less complex: associations, business groups, consortia, clusters, outsourcing, service trade.

Although small and medium enterprises play a fundamental role in the stability and growth of economic systems, they are characterized by a number of disadvantages:

- limited opportunity to take advantage of economies of scale due to the low level of production;
- limited possibilities for diversification involving continuous identification of new market niches;
- vulnerability to negative market shocks caused by the fact that they operate normally in a single market;
- reduced access to external financing sources due to limited opportunities to provide guarantees in relation to banks.

On the other hand, SMEs can take advantage of the benefits arising from the flexibility and adaptability to change, due to the low level of bureaucracy, minimal problems in labor relations, customer loyalty especially in local markets, where small businesses can offer products special and personalized. Among the industries dominated by small and medium enterprises, the most marked growth include services related to computers and data processing, and rehabilitation counseling, day care centers, medical laboratories, outpatient treatment centers, medical offices, restaurants.

Size for these small businesses is strength because they are able to adapt very quickly to market changes so as to capitalize on opportunities. Thus, they can gain competitive advantage from being first on the market, which generates gains for entrepreneurs, on the one hand and, on the other hand, shifting the economy into recession.

A significant role of small business operators is that services for other companies as well as suppliers of material inputs for large manufacturing companies. To this end, a small part of initiating partnerships with companies that produce the same sector, institutions of higher learning, research laboratories and institutions. These actions are likely to buy small business capital resources for product development and market expansion.

Small and Medium Business division, is the leader in innovation due to the fact that it is a prerequisite for survival in the current global economic context. To this end, the percentage of employees in small and medium are scientists or engineers is 6.5% to 4% in large companies, SMEs that have intellectual

property on average 61 employees of which 20% work in research and development, while the mail companies only 3% of the same type operating in the same sector.

1. SMEs IN THE CONTEXT OF GLOBALIZATION

In the current context of global economy characterized by diversity and dynamism, human capital is the main form of capital that create added value for the enterprise and also the main source of competitive advantage. Studies show that effect labor productivity growth averaged 8.6% of those SMEs that were oriented more educated human capital by 10%, while 10% capital growth generated an increase of material productivity of only 3.4%.

Despite the fact that these firms are often deficient in terms of human and financial resources needed to conduct major research and development, they created networks to focus resources sector, information and experiences of small businesses located the same geographical area. Creating partnerships to strengthen supply of goods and services may be beneficial for our customers and for businesses. At the same time, the usefulness of regional development initiatives related to the creation of new small and medium enterprises as a solution to eliminate regional disparities, and for linking sectoral policies and activities at regional level by building on local resources to develop their real. J.C. Perrin emphasizes the importance of regional synergy aimed at cooperation of financial institutions, education and research, and support organizations for information on regional traffic. Studies in recent years on small and medium showed that, despite the diverse situations of small businesses, profitability is usually higher than that of large enterprises. In light of our modes of insertion into the productive system of small businesses, we can estimate that the restriction of markets and determine profitability on their adaptation to market conditions "characterized by a capitalist structure with low intensity, based on increased efficiency capital. For large companies, the logic of capitalization is subject to restrictions of return (particularly financial) markets restriction alliances aimed at such firms, and reorganization of their assets.

At company level, restrictions on markets and profitability require study issues relating to:

- financial autonomy because of a low investment effort to reduce costs of external financing (separate approach is required if the solvency of enterprises with restrictions against companies that have an operating cycle which requires the use of external financing);
- increased productivity;
- interrelations between real and financial sector and their influence on the monetary policy.

With the identification of specific economic and financial behaviour, it is necessary and identifies ways in which financing conditions influencing production patterns, the impact of monetary policy by controlling credit (interest rates, monetary aggregates supervision).

Corresponds to the restriction of markets so-called "risk of not" manifest risk for companies whose business continuity depends on the sale of products produced and which is subject to the following aspects:

- choose a combination of productive investment, which integrates technology and organization;
- choice by identifying a market need that can be satisfied in a cost comparison with the conditions of funding obtained by the enterprise;
- choose how to organize productive activity in order to meet delivery deadlines.

J. Bichot study considers that "this risk of not be viewed from two different perspectives, a solvency constraint on the restriction and other earnings" [3,143]. According to the author, if firms have difficulty in complying with the solvency restriction, this can be explained by the action of complex factors relating to:

- required high operating working capital, which increases borrowing;
- consistent investment efforts in recent years;
- in order to maintain financial autonomy enterprises have difficulties in renewing the productive potential, which increases the risk of losing competitiveness.

If improving credit risk management is a prerequisite to optimal functioning financial system, it can lead to rationalization of credit in circumstances where it is combined with the likelihood of achieving improvement.

2. ACCESS TO CREDIT FOR SMEs

Like-minded donors to protect their investment guarantees, banks often do not show availability suffice the needs of small business capital. Thus, the capital needs of SMEs in the growth phase tend to advance the guarantee they offer, which leads to a situation where conventional bank financing will no longer be accessible. Collection of qualitative information is difficult and costly for banks, which is why they generally avoided investigating these issues and chooses to compensate for insufficient information, to limit lending and measures to reduce financial support for the typology of SMEs.

In light of the fact that strategies have a significant impact on the risk profile of the company and its ability to be funded from external sources, banks must keep in mind that these are useful to diversify credit risk. Complex evaluation of credit risk for SMEs requires therefore identify significant factors and mathematical models able to synthesize all the variables into a single index rating. For this purpose, methodologies and best banking practices should be adapted to the context in which SMEs operate.

When dealing with banks, contractors must play an active role by opening a dialogue in order to reduce information asymmetries and operational. In real economic conditions, characterized by imperfect markets, asymmetric information and risks, require application of collateral in case you or reasoning credit loans, credit market access is limited for most SMEs. In this context, "firms' own funds are directly related to their financial profitability, the intensity of financial autonomy is not synonymous with superior economic performance and therefore not fully relevant for assessing the health of a business" [8, 34]. Indebtedness and interest rates may worsen the financial constraints of the enterprise, it has two modes of action, either improve the effectiveness of equity or control the distribution of value added.

In order to identify causes of problems relating to access to credit for small and medium enterprises, Harris and Raviv (as in neoclassical enterprise value that is given by the present value of its income flows) considers that the key challenge is to maximize enterprise value terms risk. Although "the company's financial objective is to maximize the market value of the shares" [4, 29], determining that value can be achieved only for publicly traded companies, for which theoretical models are applicable for financial arbitrage and the relationship between manager and shareholders.

Basel 2 principles of assessment are able to identify the value added generated by the systemic role of small businesses and is also useful rules for evaluating small and medium enterprises. The prospect of triple Basel 2 approach represents a significant advance in comparison with traditional quantitative methodologies for assessing the company (based on balance sheet analysis) and could be a prerequisite for estimating systemic enterprises, assessment is based on three categories of information:

- quantitative information that is contained in the balance sheet and other documents. Particular emphasis is given to that effect self-financing capacity, estimated net tangible assets, performance and capital structure equity loan;
- information about business relationships with banks: Credit limits the frequency with which credit limits are exceeded;
- qualitative information about the owners and business organization, equity participations and links with other companies, its presence in informal groups, types of products and services, distribution channels, competitive position, market.

The critical situation of small and medium enterprise can be equally as a result of insufficient equity investment or profitable or very long recovery period (or longer than the expected one), which leads to the increase in borrowing (to finance delays). Own funds, a real book solvency of the company, "gives its cyclical difficult conditions, benefits, compared with heavily indebted companies. In this respect B. ate like valence triple its funds" [6, 46]:

- capital of chargeability null;
- without fixed remuneration;
- hedging function.

Although equity ownership is vital for any enterprise, share their best against the debt is a function of each company's position, the desired degree of autonomy and its development projects. Diversity arbitrage between cash flow, debt and appeal to shareholders over time generated much debate, since indifference Modigliani-Miller theorem that a firm's market value does not depend on the ratio of its liabilities between debt and equity, the theorem whose level of application concerns only the perfect market. In these circumstances, "achieving a productive investment is justified only if it increases the market value of the company, which depends on its specific relationship between yield and the average cost of capital" [1, 21], financial structure and the decision was independent of the company.

The concentration of activities in enterprises with mass production is justified by the need to achieve economies of scale, the positive effects of this guidance is applicable especially in the large companies, however, "any note indicator, economic performance, financial and social enterprise size decreases with company size" [8, 153]. Capitalistic intensity (Q_{ex} / AT or CA / AT measured workload released by a complete rotation of company assets) higher than for large firms SMEs reflect reduced efficacy of capital and also by obtaining an increase of labour productivity. That's why, although the small unit labour cost is low, labour efficiency is apparently reduced as a consequence a part of personnel costs in the added value more important than for large firms. Restrictions imposed by developments in those markets and require efforts on increasing profitability of the productive potential as measured by the rate of accumulation.

Investment rate is even higher as the rate of interest is encumbered by a reduced effectiveness of capital related to a high capitalistic intensity, hence the concern of any enterprise to increase productivity. Higher levels of working capital needs of SMEs operating in the determined use of external financing, higher credit costs as compared with large enterprises, as well as indebtedness. In this context, SMEs will maximize leverage, minimize the solvency constraint.

Financial return is the result of two effects:

- the multiplier effect of changes in value added distribution of economic return, given a certain combination of productive efficiency;
- leverage of external contributions measured by external contributions to the financial profitability of the company (for a given rate of external contributions, such effects are measured gap between economic profitability and the average cost of external contributions).

Despite less favourable interest rates for SMEs, they give off a higher gross return on equity of large enterprises and also the costs of maintaining the productive potential are more important for SMEs. "Apparently less favourable evolution of the SME occurs due to a lesser extent the use of capital increase, this being correlated with difficult access, compared with large enterprises in the financial market" [8, 54]. Differences in financial autonomy established by empirical studies in the Western companies are based on a low integration of large enterprises over SMEs, the rate is lower than the value added in their case compared to SMEs, this situation is likely to alter the financing of the production cycle. Higher indebtedness for SMEs from large firms is also consistent, a policy supported renewing the productive potential. How productive investment rate does not provide a sufficiently accurate picture of this issue, economists have weighted rate the effectiveness of capital investment, an indicator reflecting the relatively high investment of SMEs and, consequently, higher borrowing, which means the use of funding external.

"Measurement of financial autonomy creates a methodological problem concerning the definition of relevant rate for assessing the level of own funds and its significance" [8, 56]. For large companies, financial autonomy corresponds to an accumulation rate lower than for SMEs, and the relative profitability, results of the comparisons may be divergent. If we deduct the dividends paid to cash flow capacity, achieve self-financing which, relative to its own financing, an indicator of profitability and

hence shareholder remuneration as a way to assess the ability of the company has market capitalization, taking into account the investment policy.

3. INCIDENCE OF TAXATION ON SMEs

Studies of Western companies have found that, after payment of dividends, SMEs are more profitable than large enterprises, with the passage of the financial return to the ratio of gross cash flow and funding its own, the deviation increased significantly between the two types of businesses, share dividends is clearly superior when compared to large enterprises SME. The situation changes after deducting the expenses of maintaining the productive potential, being higher share of amortization for SMEs here capitalization capacity results, which vary considerably depending on the size enterprises.

Constant opposition between size enterprises depending on profitability highlights the significant restriction for banks lend their funds, the amount of economic return is crucial to financial expenses and investment objectives of the enterprise. The financial situation of SMEs is especially sensitive since their development depends on the development of wholesale markets. Specific requirements of return on financial markets do not always correspond with business development options, in terms of financing, the difficulties SMEs are manifested in the dual perspective:

- the main risk for SMEs is linked to uncertainty over the sustainability of these, less risk of return;
- development and liberalization of financial markets led to volatility small operation, the temporal deviation between markets and the pace of real activity of the company being managed by credit institutions, the issue is regarded as an SME financing that the restriction on growth markets.

CONCLUSIONS

If the question of balance sheet of the financial situation of SMEs can lead to the idea of insufficient capitalization, economic analysis indicates that their conduct economic and financial returns comparable to those of large enterprises. In a very dynamic competitive environment and difficult to predict, generating significant restrictions (limited creditworthy markets, high interest rates), firms may act only on internal variables.

Rajan and Zingales have developed a study on capital structure using accounting and market indicators, a sample survey of companies listed, from which they obtained the following results:

- the aggregate level of indebtedness is similar in developed European countries except Germany and Great Britain where it is lower;
- leverage varies proportionally to the size of the company, except in Germany, a view different from that of the French economist M. Bardos that “report borrowing rate / value added shows an inverse relationship between firm size and leverage” [2, 69], this explanation with a trend of diversification of business activity while increasing its size, which leads to reducing the risk of bankruptcy;
- in Germany, the risk of business failure and its associated costs are high due to the fact that the law provides immediate entry into liquidation payments incidents;
- in terms of ratio debt to total assets, less indebted companies are from Germany and Britain, while the ratio debt / net assets show high levels of debt for companies in Japan, Canada, Italy and France;
- North American businesses are less indebted than European ones when considering the ratio (liabilities - equity) / active;
- the ratio debt / (debt + equity) show high levels of indebtedness of Italian and Japanese companies, for the average American and the German and UK small businesses.

In addressing the costs of the company an important role of the link between financial development and its options, high unemployment rates combined with high real interest rates are likely to compromise the future development of the company. Despite an unfavorable term context, the company is able to increase market share by increasing its productive efficiency.

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SMEs in the Current Economic Environment

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Abstract: *Structural changes determined, in the last two decades, by the process of European integration, in the companies from this economic space, have driven a large number of managerial, financial, technological innovations, which, in turn, have generated some new and complex types of organization.*

Today's world is different, with a number of key issues, we have been facing to for a long time. Hopes regarding small and medium enterprises (SMEs) have increased rapidly worldwide in both developing countries and in the developed world. After a period of great fascination for the rapidly expanding multinational corporations, economic publications around the world as well as political and economic leaders have emphasized in recent years, the importance of the SME sector both for developed and transition market economies.

Keywords: *SMEs, business environment, entrepreneurial index, European Strategy for SMEs, business environment*

INTRODUCTION

SMEs are a separate domain of research. In this regard, we can bring two main arguments, which together justify the specific attention to this subgroup of private enterprises. First it comes the quantitative argument: SMEs form a vital and large part of the modern economy. The second argument is more qualitative: in spite of the heterogeneity of the SME sector, these large firms differ in many respects. For example, firm size may affect its structural size. If the company gets bigger, the need for decentralization and communication between employees and departments increases. This requires a certain level of standardization, specialization and formalization. Also, small firms have fewer financial resources than large firms, and often have greater difficulty in obtaining these resources.

SMEs specificity analysis reveals a wide range of features. SME activity complements large companies. A big company cannot record a 100% degree of integration of production, given that the economic optimum is achieved at a certain degree of integration ranging between 50-80% depending on volume and structure of production. Relatively limited degree of integration in a large enterprise production is possible and necessary contribution to achieving small assortments of products and services. In some areas, such as for example the design of software, SMEs create an innovation faster than large companies. Small and medium-sized enterprises are at the origin of the products or other trained personnel in times of recession and they contribute to revenue growth in the economy and their distribution to several beneficiaries.

Due to organizational flexibility SMEs have the ability to perform rapid delivery of products and services in small contingents. The ability to fill market niches, SMEs are appropriate and can be adapted including in rural areas. Moreover, SMEs are characterized by speed and have the ability to adapt faster than large enterprises to changing market situation. Even in a transition economy SMEs are able to provide one third of the production of goods, occupying 50% of the workforce and provide an important part of export.

SMEs are often needed to take on simultaneously on both their own organization and business risk management and of course they develop. For this reason, the weakest point of SMEs is their vulnerability given by the small size of capital, lack of adequate protection, issues that, in case of errors of management often generates capital losses.

1. THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN THE CONTEMPORARY ECONOMY

Existing international experience demonstrates the special role and importance of SMEs in national economies. After rising in the last three decades, it is estimated that small and medium enterprises in the period ahead will be the key driver of economic progress, both in developed countries and in the transition countries. On the one hand, SMEs attributes lies such type of organizations in the forefront of economic development. On the other hand, the coordinates that define the new configuration of the global economy are favourable to expansion of small and medium sector.

As noted previously, for the large firms, SMEs represents their beginning and their futures competition. For individuals, SMEs are often a first job, a first step in their careers. They are also a first step towards the world of entrepreneurs. For the whole economy, SMEs are launchers of new ideas and new processes that accelerate assembly growth on a more effective use of resources.

Statistics in almost all countries shows that SMEs are predominant in the economy, representing over 99% of all firms with substantial shares in obtaining GDP and providing jobs.

An essential attribute of SMEs is that they are an important source of jobs. Two thirds of new jobs created due to small and medium sector. Costs associated with creating a job in a SME are reduced compared with those involved in creating a job in a large enterprise. Produce products and services at lower costs than large firms, the main factors that determine this difference is smaller conventional constant costs, higher labour productivity under permanent presence in the business entrepreneur.

SMEs are a factor of equilibrium at micro and macroeconomic level. Having at correspondent the middle class of society, small and medium enterprises counteracts monopolies and oligopolies, reducing the ability of large companies to control the market.

With an economic environment found in a constantly changing, SMEs are flexible and have a great capacity for adaptation, facilitated by the small size and fast decision making. They easily adapt to the demands and requirements of consumers, being closer to the market.

Another important aspect is that they generate a large proportion of the applicable technical innovations in the economy. Many of the jobs will come from innovation. Paul Almeida - Professor at Georgetown University, believes that "SMEs play a unique role, active and critical in the innovation process through their ability to invent the new space technology and information networks to improve high-tech" [1]. This statement is based on empirical research in cutting edge industries, conducted over a period of 10 years (1994-2004).

Experts agree that social networks, formal and informal, are vital to SME innovation process. Small businesses make up the regional networks more easily than large firms. Creativity is the fuel of small entrepreneurship and economic growth.

The role of SMEs is recognized world - wide for their unique contribution to economic development. Both developed countries and developing ones realize that SMEs and entrepreneurs play a vital role in industrial development of a country. So it's no surprise that political strategy often felt that SMEs can be the engine of economic recovery.

2. EUROPEAN STRATEGY FOR SME SECTOR

Although SMEs form the vast majority of companies in the world, the percentage of labour which they undertake in each country varies.

In the Philippines, it is 50%, while in the EU, SMEs account for 66.3%, in Greece the figure is 86.7%. In the case of OECD countries, SMEs are currently over 95% of enterprises in most countries and employs over half of private sector employees. In New Zealand, for example, nine out of ten companies employing less than ten people. And this is particularly important given the number of employees in this area, which is more than double. Most OECD governments are considering promoting entrepreneurship and SME development through numerous policies and programs. In the United Kingdom that aims to combat SME difficulties related to financing, technology and innovation, electronic commerce, management and internationalization. In Korea, for example, measures include tax concessions and low interest loans for the establishment of new firms in rural areas.

In America, amid the economic crisis, and not only small firms received approximately \$ 2.8 billion in fiscal 2008, approximately 23% of the total grants approved for all areas.

Politicians in Latin America after many years focused on massive investment and courted multinational companies began to realize that SMEs are the real sources of jobs. The vast majority of companies (80-90%) are micro-enterprises and governments have greatly reduced the bureaucracy to ensure that the requirements of SMEs were quickly taken into account. And in this region is found in the years 2008, 2009, a decrease in SME companies.

Regarding the Asian side is recognized that some of the most advanced world economies (Taiwan and Hong Kong), rely heavily on small businesses. 81% of the workforce in Japan is concentrated in SMEs, where a company employs an average of 4 to 9 employees in the EU.

In South Africa, the number of employees in SMEs is high, recently estimated at 60%, while the sector provides about 40% of production.

In developing Countries: The International Finance Corporation stated that "in many developing countries, the private economy is almost entirely contained in SMEs" and that "these are the only realistic prospect of employment for millions of poor people around the world". [2]

The role of SMEs is recognized around the globe for their unique contribution to economic development. Both developed countries and developing ones realize that SMEs and entrepreneurs play a vital role in industrial development of a country. So it's no surprise that political strategy often felt that SMEs can be the engine of economic recovery.

In 2008, the European Commission released the document "Small Business Act for Europe" (SBAE initiatives) that outlines the new framework for evolution of small and medium enterprise development in the European Union in the context of a globalized economy XXI century. Key policy areas identified focus the areas of intervention of the European Charter for Small Enterprises, launched by the European Commission in 2000, around the "Think Small First".

If the government strategy of Romania, covering the period 2004-2008 was designed to support SME development in the process of economic integration in the Single Market, the current global economic environment requires the defining of a new strategic framework to support future development of this sector. This framework complies with policies pursued by the European Commission in the context of Europe 2020.

The main themes of the Europe 2010 include: creating a competitive, connected, and environmentally responsible economy, promote efficient economy less dependent on carbon emissions, creating value through knowledge basis for economic growth and social inclusion.

These were defined ten basic principles to guide the definition and implementation of Community policies which constitute the general framework, to improve the regulatory environment in order to have a positive impact on SMEs.

The 10 principles are [3]:

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
3. Design rules according to the “Think Small First” principle
4. Make public administrations responsive to SMEs’ needs
5. Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs
6. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
7. Help SMEs to benefit more from the opportunities offered by the Single Market
8. Promote the upgrading of skills in SMEs and all forms of innovation
9. Enable SMEs to turn environmental challenges into opportunities
10. Encourage and support SMEs to benefit from the growth of markets

The adoption of this act, coincided, however, with early manifestation of the economic crisis, which hampers the possibility of evaluating the impact it had in the three years from adoption. We appreciate, however, positively, that it was established a general framework for analyzing the activity of this sector and especially the tendency to leave a much greater freedom of "expression" without communitarians legislative restrictions.

Based on trends seen in previous years the European Commission published a series of statistical analysis based on data that refers to "the business", which includes industry, construction, trade and services, excluding enterprises engaged in agriculture, forestry, fisheries and companies providing services - mostly non-commercial, like education and health. Eurostat statistics have the advantage of being harmonized and comparable between countries but for some countries, these data are different from those published by national authorities.

In the EU countries (EU27), according to analysis published by the European Commission, the situation of SMEs estimated for 2010 is as follows:

- The number of SME **20.820.556**:
 - total number of micro enterprises – 19.222.844;
 - total number of small enterprises – 1.211.606;
 - total number of medium enterprises – 192.464.

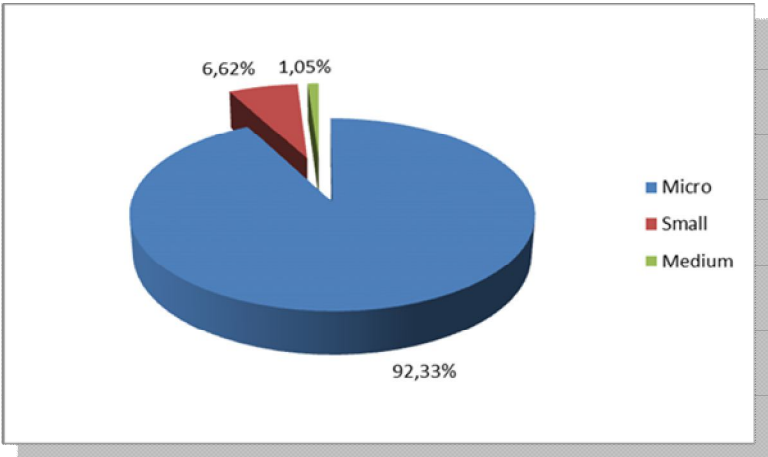


Fig. 1 Share of number of SME's

The number of large companies is 37 064. If we relate the number of large enterprises to total number of SMEs, we get a European average of 0.20%. The European average, of the weight the SME sector in total enterprises is 99.80%.

Romania is part of the countries beyond the European average. Compared with the five largest economies in Europe the situation in our country is as follows:

Table no.1 The share of SME in total enterprises

Country	Number of		Share SME's
	SME's	LE's	
EU27			99,80%
Germany	1.862.476	9.217	99,508%
France	2.561.292	4.815	99,812%
United Kingdom	1.659.946	5.973	99,641%
Italy	3.762.921	2.904	99,923%
Spain	2.408.662	2.899	99,880%
Romania	523.501	1.741	99,669%

- Number of employees in SMEs **87.460.792**:
 - micro enterprises total employees – 38.905.522;
 - small enterprises total employees – 26.605.166;
 - medium enterprises total employees – 21.950.110.

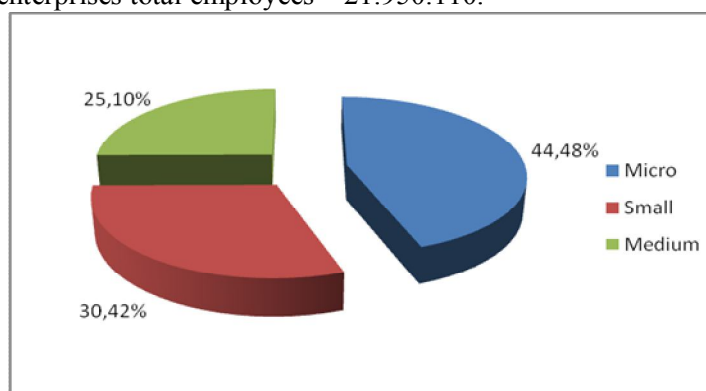


Fig. no. 2 Share of number of employments in SME's by category

In large companies, at EU level, these are reported 43,257,099 employees, which is a European average of 33.10%, in relation to the total number of employees.

In Romania, compared to EU average and top 5 largest European economies, the average on each business category in terms of employment, is presented in Table 2.

Table no. 2 The average of employment

Country	Employment		Share SME's
	SME's	LE's	
EU27			66,90%
Germany	13.616.742	8.729.597	60,935%
France	8.772.352	5.755.612	60,383%
United Kingdom	9.805.001	8.372.209	53,941%
Italy	12.264.408	2.803.386	81,395%
Spain	9.377.167	2.910.558	76,313%
Romania	3.002.381	1.403.223	68,149%

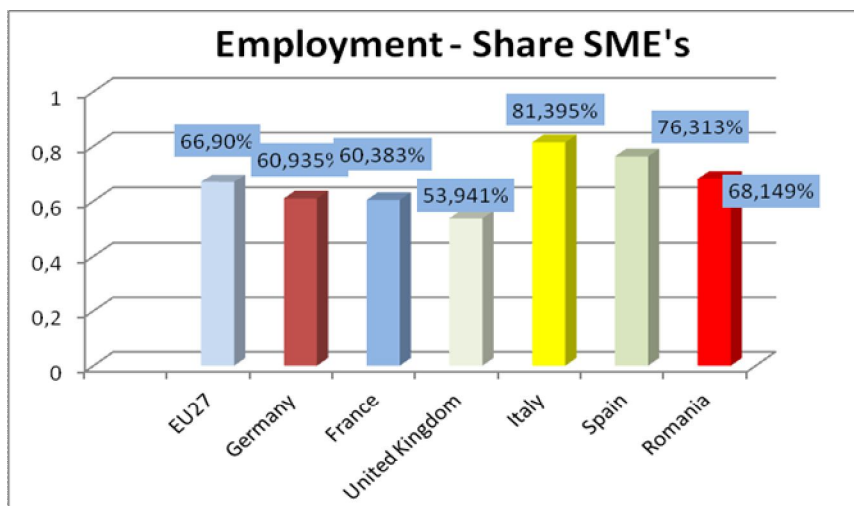


Fig. no.3 The average of employment in SMEs

- Value added in the economy by SMEs 1.608 billion euro:
 - value added by micro enterprises – 562;
 - value added by small enterprises – 525;
 - value added by medium enterprises – 521.

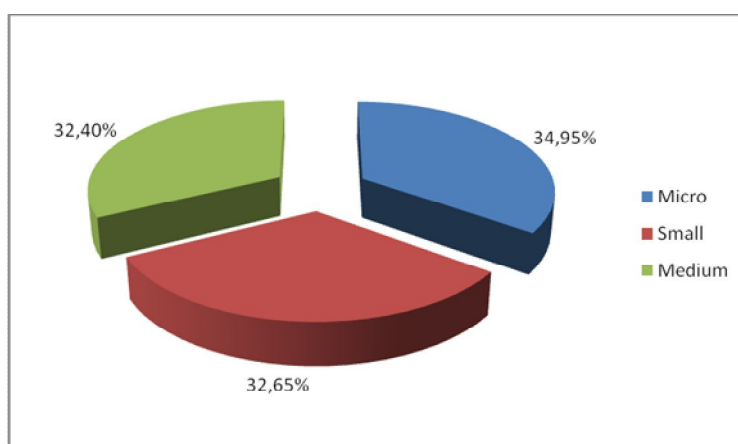


Fig. no. 4 Share of value added by type of enterprises

For large enterprises, the added value of this category is, at European level of 1.244 billion euro, which represents a weight average of 41.60%.

As the average size of each enterprise in the five major economic powers and Romania, the situation is as follows:

Table no.3. Average value added

Country	Value added		Share SME's
	SME's	LE's	
EU27			58,40%
Germany	657	564	53,808%
France	473	373	55,910%
United Kingdom	456	452	50,220%
Italy	465	187	71,319%
Spain	387	183	67,895%
Romania	26	31	45,614%

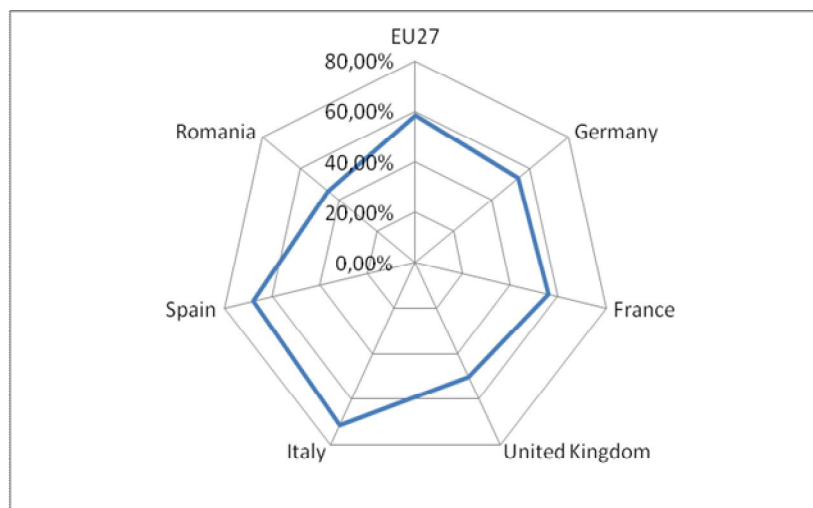


Fig.no. 5 Share of value added in the economy by SME

3. THE ROMANIAN SMALL AND MEDIUM ENTERPRISES IN THE CURRENT MACROECONOMIC CONTEXT

The economic optimum, different from country to country and from industry to industry depending on their specificity makes the existence of large enterprises, not necessary, except in certain areas, so that market niche not covered by them may be occupied operative and effectively by small and medium enterprises.

Since 1990, the SME sector in Romania has grown progressively, starting virtually from zero. In 1990, there were 95 840 new companies, but this figure has reached a value of more than 440,063 in 2008.

The evolution of SME registrations

The number of existing SMEs in an economy and their evolution provides an overview of the place which they occupy in the economy.

The number of registered companies is growing vigorously in the early years of reform to slow down later. In 1990-1994 period there was an accelerated development in SMEs sector as a result of a complex of factors among which: their absence before 1990, the facilities granted in the first years of operation, the legislation that regulate the foundation of these companies and privatization of state enterprises. Most companies were founded in 1992 (137456 companies) and the fewest in 1997 (55663 companies). 1995 marked the most dramatic decrease in the number of founded SMEs, while after 2000 there was a slight recovery. Compared with 2001, the total number of SMEs was 404526 in 2003, there was an increase of 51,048 (112.6%), and in 2004 an increase of 95,868 firms (123.7%), indicating at least in quantitative terms, an economic climate encouraging business. In the territory, there is a strong difference in meaning of polarization of develop in certain areas.

For 2008-2009, the evolution of registrations is summarized in the table below. According to data from the National Trade Register Office, the number of registered companies fell in the second half of 2009, compared to same period of the previous year, by 19.8%.

Table no. 4. The evolution of SME registrations in 2008-2009 [4]

Year	Ian	Feb.	Mar.	Apr.	May	Jun.	Total
2008	9831	15231	15247	13326	12489	11898	70022
2009	9880	13630	12717	9131	8870	8714	62942

Year	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Total
2008	12772	10557	11725	12459	10164	8412	66089
2009	9516	10172	7022	10759	8867	6663	52999

The number of small and medium enterprises radiated during each year, although growth, is insignificant (ranging from, 0.002% of the total number of SMEs registered in 1991, and 0.056% in 1998).

The dynamics of existing SMEs at the end of a year, of those founded and that radiated in a given year expressed suggestively through the birth rate¹ and mortality rate².

The relatively low mortality rate in the first ten years after 1990 is due mainly to the following causes: after 1991, a considerable number of companies were registered without actually begin to work, but taking advantage of facilities provided at the time of registration. Many companies were not radiated and are awaiting more favourable circumstances to begin their activities in the same field or another.

According to data from the National Trade Register Office, the number of radiated companies, increased in the first half of 2009 compared to same period of the previous year with 26.11%, and in the second half of 2009 with 58%. Summary data on the number of companies radiated in 2008-2009 is shown below.

Table no. 5. Radiated SMEs in 2008-2009 [5]

Year	Jan	Feb.	Mar.	Apr.	May	Jun.	Total
2008	3839	3838	3854	3377	3007	3391	21306
2009	4109	4131	4823	3942	4340	5526	26871

Year	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Total
2008	4049	3320	3176	5130	4511	4757	24943
2009	6822	6416	5920	8256	5956	5956	39326

Today, in Romania, is widely recognized that SMEs are a key sector for economic growth and sustainable development. The analysis of SMEs in the post '89 period shows that they are an important factor to absorb available or dismissed workforce and also a flexible vector in adapting goods and services production to the volume and the structure of the market. These companies have contributed to faster restructuring of large companies through employment of dismissed personnel, operation of unused assets and outsourcing of activities. SME development has led to increased competition, to reduce the monopoly role of large companies, to increase exports and generate economic and social alternatives.

A quantitative tool for assessing the performance of the SME sector in our country is "*Assessing the overall situation of SMEs in Romania*" [6] produced quarterly by the National Council of Private Small and Medium Enterprises in Romania. This analysis is based on determining the Entrepreneurial Index - weighted average between the Index of Business Environment, SME development index and the Index of assessing the economic situation of their firms by the entrepreneurs.

Business index is based on the quantification of 13 statistical indicators, and is obtained by summing the scores for each indicator.

The **Index of Business Environment** is based on the quantification of 13 statistical indicators, and is obtained by summing the scores for each indicator.

¹ The birth rate is calculated as the percentage ratio between the number of enterprises registered in the current year and the total number of existing enterprises at the end of the previous year

² The mortality rate is calculated as the percentage ratio between the number of companies radiated in the current year and the total number of existing enterprises at the end of the previous

Table no. 6. Index of Business Environment

Indicator	Score			
	2008 1st sem	2008 2nd sem	2009 1st sem	2009 2nd sem
The growth rate of GDP	13	10	-4	-4
Inflation rate	3	5	4	7
Unemployment rate	6	5	5	-1
Average monthly net salary earning	6	6	4	1
The dynamic of taxation on labour force	5	7	3	-3
The dynamics of profit tax	0	0	1	-2
The dynamics of the dividend tax	0	0	1	1
Dynamics of the number of taxes, fees, etc.	0	0	6	6
The exchange rate stability	-6	-7	-9	-8
The degree of covering imports by exports	-3	-4	0	0
The interest rate relative to inflation rate	1	-1	0	-1
The dynamics of size of foreign direct investment in Romania	7	5	-2	-2
Country risk	5	5	5	2
Total	37	31	14	-4

There is a degradation of the environment of business in the analyzed period, from a medium to low satisfactory level (score between 25 and 50) to a very unsatisfactory (score below 0).

Important negative influences are:

- *The negative development of GDP*, from an increase of about 7.1% in 2008 compared to 2007, to a decrease of 7.1% in 2009 compared to 2008 (a return to the values of 2007, at the end of 2009 by approximately 255 billion dollars);
- Unemployment increased from 4.4% in 2008 to 7.8% in 2009;
- The average monthly salary earning, in 2009 was 1361 lei, increasing by only 4% from 2008, when growth was approximately 21% compared to 2007;
- If in 2008, it reported a decrease of taxation around 5% compared to 2007, in 2009 is notice an increase of approx. 3% compared to 2008;
- In terms of profit tax, although it remained constant throughout the analysis period to 16%, the negative effect is given by introducing a minimum tax in 2009;
- The depreciation of national currency against major currencies;
- A decrease by about 43% of foreign investments in 2009 compared to 2008;
- Increasing the country risk (Coface) from A4 to B.

The positive influences were:

- Positive trend of inflation from 6.3% in 2008, to 4.74% in 2009;
- Decrease the number of taxes;
- Increase the coverage of imports by exports from approx. 60% in 2008 to approx. 75% in 2009.

SME development index is based on the score obtained after the evaluation of 11 key indicators, presented comparative in 2008 and 2009 in the following table:

Table no. 7. SME development index

Indicator	Score			
	2008 1st sem	2008 2nd sem	2009 1st sem	2009 2nd sem
Evolution of the number of companies registered at the National Trade Register Office	2	-2	-5	-5
Evolution of the number of radiated companies	10	-5	-5	-5
Evolution of the number of SMEs that have obtained profit	5	-1	-1	-2
Evolution of the number of SMEs that have	4	-2	-2	-2

Indicator	Score			
	2008 1st sem	2008 2nd sem	2009 1st sem	2009 2nd sem
incurred losses				
Evolution of total debt of SMEs	-1	-1	-1	-2
Evolution of average turnover of an SME	3	2	-2	-3
Evolution of the average profit on a SME	4	2	-5	-3
Evolution of the average loss on a SME	2	-2	-1	-4
Average number of employees in SMEs	2	1	-2	-4
Evolution of SME investments	4	2	-2	-2
Evolution of exports from the private sector	3	3	-2	-2
Total	38	-3	-28	-34

One can notice a drastic degradation of this index since the 2nd semester of 2008, when it was recorded the largest decrease in the score - 41 points, influenced (in a proportion of 36.5%) by the large number of radiated companies, which took place in the second half of 2008 and in the second half of 2009.

Thus, after the first half of 2008 it was recorded a decrease of the number of radiated companies with 27% over the same period of 2007, in the second half of the year, this indicator had a negative trend of 36.7%, compared to the same period of 2007. In 2009, especially as an effect of introducing the minimum tax on 1 May, there was an increase by 58% over the same period in 2008, leading to a number of 39326 radiated companies in the second half of 2009 (almost 8.5% of SME companies at the end of 2008).

Index of assessing the economic situation of their firms by the entrepreneurs, for the period under review, presents the following situation:

Table no. 8. Index of assessing the economic situation of their firms by the entrepreneurs

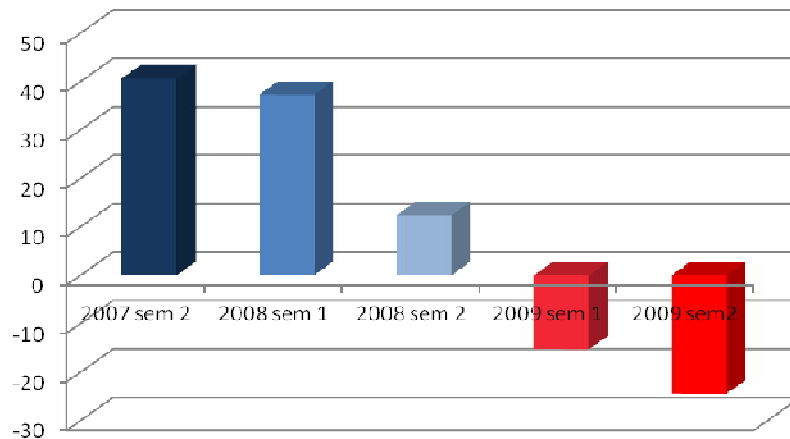
	Score			
	2008 1st sem	2008 2nd sem	2009 1st sem	2009 2nd sem
Index of assessing the economic situation of their firms by the entrepreneurs	35	15	-53	-59

The evolution of these indices has led to a degradation of **Entrepreneurial Index**, obtained as a weighted average between the business environment index (40%), SME development index (50%) and the index on the appreciation of entrepreneurs (10%), the situation at the end of 2009 being the following:

Table no. 9. Entrepreneurial Index

	Score			
	2008 1st sem	2008 2nd sem	2009 1st sem	2009 2nd sem
Entrepreneurial Index	37,3	12,4	-15,3	-24,5

The situation is even worse when compared with the values of this index during 2007 when it reached a maximum of 40.65 points.



**Fig. no. 6 The Entrepreneurial Index - period 2007-2009
(semester values)**

The European Union considers the SME sector as a priority in the new launched *Europe 2020* strategy, aimed to revive the economy and make possible a "smart, sustainable and inclusive growth" through better coordination of national and European policies.

Under this strategy the European Union believes that successful transition to a knowledge-based economy cannot be achieved than in a competitive and dynamic condition. SMEs are the main players, featuring dynamic entrepreneurs to seize of opportunities of globalization and accelerating technological change. It would also be a big mistake to not be exploited innovation potential of small and medium enterprises (SMEs).

CONCLUSIONS

The literature [7, p.165], [8, p.88], [9, p.182] addressing the issue of SMEs, presents the argument that the twenty-first century will be the century of independent firms integrated in networks, totally different from the twentieth century, which was the century of large companies, focused on reducing costs.

The transition to the digital economy based on a new economic model for a new generation of consumers will be characterized, in the opinion of the same specialists, at the same time by great opportunities but also great dangers for companies.

In connection with the dilemma of state intervention in the development of small and medium sector can summarize the pros and cons. Comparative analysis of the arguments, lead to the conclusions that allow benchmarking of general objectives of economic policy priorities that have the effect of including support for SME activity. For example:

- Providing a stable monetary and fiscal framework through legislation, including reasonable levels of interest rates to attract investments and banking, in a controlled inflation;
- Strengthening financial market, by regulations which provide safety for the savings, so that deposits sources, can be transformed into investments;
- Training and human capital development through performing education systems at all levels. Funding, with priority, the top education systems, performing and opening to newly;
- Consolidation and modernization of rail, land, sea, infrastructure etc., water and sanitation, communications. The promulgation of a legal system very clearly and effectively on issues of proprietary and contractual discipline.

In the changing global scenery, characterized by continuous structural changes and increased competitive pressure, the role of SMEs in society as providers of employment opportunities and creating added value, has become increasingly important.

The global crisis that initially affected the developed countries has spread rapidly and the emerging areas of Central and Eastern Europe, Romania is considered among the riskiest countries.

The main manifestation of the economic crisis was to reduce the rate of development of SMEs and increasing the number of bankruptcies, thus affecting the economy of all states. Period 2008-2010 showed that the SME sector was one of the most affected, the main problems facing the sector at present is summarized as follows:

- Late payments, in terms of reduction in sales, and thus depletion of working capital;
- Increasing the rate of insolvency of the SMEs;
- Difficulty for SMEs to access credit and other financing;
- Low to attract venture capital.

Given the above issues and the condition of the SME sector in Romania, they started to develop and implement a government strategy to support the development of this sector.

The overall objective of the strategy is to support economic recovery and development of SMEs in the period 2010-2013. To achieve this general objective, the Romanian Government is considering a number of strategic priorities for this period, namely: improving access to finance for SMEs, encouraging the innovative spirit of SMEs and increase their competitiveness, simplify and improve the regulatory framework for SMEs and cooperatives, development of entrepreneurship education, improving SMEs participation on the internal and international markets.

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Business Strategy Simulation

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Abstract: Any management strategy aims to achieve a performance by increasing profits, turnover, and productivity, while reducing production risks, liquidity, and solvency. According to theories of information as decision support, it must be characterized, spatially and temporally by relevance. Spatial relevance involves making a selection of and processing information according to users' needs and the temporal relevance involves updating the information. Taking into consideration the evolution, at a global level, of the issues concerning the company future, we considered it appropriate to carry out a research for this purpose, bringing to the fore the most modern management techniques used in the optimization of the management process.

In the carried out research there can be observed that in order to ensure a balance between relevance and credibility, the fundamental recital is to appropriately satisfy users' needs in the economic decision-making process. The degree of computerization of the management process provides through integrated IT solutions, the possibility of real-time knowledge of all activities, of resource management, thus ensuring an optimal allocation, in accordance with the requirements of the strategic plan. The correlation of the information obtained with the analysis of the evolution of the firm's activity main indicators, shows the ways that should be pursued to achieve strategic objectives, while ensuring the possibility of their forecasting.

The second part of the paper presents the applicability of theoretical concepts for an economic entity, in the aeronautical field, whose activities for a period of five years was subject to analysis in order to achieve financial diagnosis, after which, by means of the simulation model, we make the forecast of the main indicators for a period exceeding the projection area of strategic objectives.

Keywords: simulation, strategy, performance indicators, forecast, decision.

Introduction

According to data from the European air transport system comprises 5,000 aircraft in service, which provides comfort and safety of a billion people annually. This sector contributes nearly 500 billion to the gross domestic profit of the European Union, employing 3.1 million people, that is 1.9% of the European labour market. The exports of aircraft, 60%, generate a trade surplus of 2.2 billion euro. Under these conditions, the aviation industry must develop a sustainable activity over a period of at least 20, 30 years.

To achieve this, it is essential that each manufacturer and supplier of this industry to operate in accordance with a well-founded strategic plan, for which they should often follow the degree of achievement, foreseeing the risk of failure. To make accurate estimates one must know the features of competitiveness in the industry, to understand the risk the manufacturer assumes, who, forced by competition, turns to the next-generation technologies, for which the final price of the product does not ensure the investment recovery effort. The complex nature of these products may pose a barrier to innovation, if it involves limiting access to technologies and resources.

Producers in Romania are now suppliers of parts and parts for foreign competitors that seek to reduce manufacturing costs by outsourcing certain activities.

On the background of these events, the firms' management must be flexible, to use methods and analysis techniques that allow the quantification and comparison of results and of performance indicators with competitors.

1. Aspects of the management process modelling and simulation

Seen as an ongoing process of learning and adapting to the business environment, the company management has developed in time new concepts and theories, which emphasize performance. Further examined, performance is the result of the simultaneous manifestation of the efficiency and effectiveness of actions, following the planning, organization, coordination and control of allotted resources. From an economic point of view, the performance of an organization is associated with attributes as profitability, productivity, efficiency, to enable comparability with the main competitors. Effectiveness involves setting the most appropriate goals and choosing optimal solutions for their realization. If management means to get results through others, assuming them belongs entirely to managers, who must think analytically and conceptually, to act as mediators between individual interests, the group and organization, showing professionalism, extensive knowledge and specific skills.

Peter Drucker asked “Why some companies are competitive, profitable, having a motivated, staff, interested in what they do, while others come to register losses and go bankrupt? “, because,” the essence of all these states lie in the management quality and performance.” “Surgeons are not born, not accountants, managers only. Trying to teach management to someone who has never driven is as teaching psychology to someone who has never met a man “. [1, 17]

The evolution of organizations, the complexity of phenomena led to the computerization of information flow in order to provide timely information, necessary to decision makers, thus eliminating communication errors. Obtaining competitive advantages due to the information factor is not currently a goal, the new information technologies provide solutions to all problems faced by managers. The information converted in management skills enhances the desire to acquire new knowledge with operational value.

Reducing management to decision-making is not a good thing, reducing decisions to analysis can be much worse. Since the decision making process involves first identifying the problem, the diagnose of its nature, the inventory of possible options, their valuation in order to choose the best and its application in practice, the time for action being limited, does not allow the manager or the management team to estimate possible negative outcomes that normally should need adjustments in the process. In this respect, the integration in the management instrumentation of software to optimize decision-making is necessary, especially now when the business environment is unstable, unpredictable, limited by the decline in consumption, by the pressure of suppliers and state fi Companyal policy. Thus, the optimization of management processes in an organization involves the use of computer products based on complex mathematical infrastructure, able to assist the decision-maker to exercise managerial attributes, to simulate, partially or entirely, the behaviour of the organization in the competitive environment.

1.1. General characteristics of simulation use in the company's management

Management simulation is a process that allows, on the one hand, testing, evaluating and handling a real system, without directly acting on it, and, on the other hand, contains a large number of models Company ribbing the relationship between the system components offering the possibility to change parameters and study the effects that occur on the data. The most important feature of simulation is to compress time so that the manager can see in a short period of time the long-term effect of taken decisions. Management simulation is used only for typical management situations that occur with some repetition, being a model built of variables involved that reproduce the decision mechanism afferent to the respective situation.

In order to develop a management software one starts from the delimitation of the typical decision situation, a stage accomplished by gathering and analyzing all the necessary information, by identifying and evaluating the variables involved, which may be of managerial, economic, technical nature, necessary to establish the decision model for the management situation, the decisive role being occupied by the developing and testing of software that enable the operationalization of the chosen model.

The efforts made to design and use the management software had as purpose the training and specialization of managers in various fields. The more extensive the Companyope of management games is, merging with other areas, the higher the performance of managers will be. With the amplification of the business environment instability, the risk of the company's mismatch increases; therefore, any manager interested to operate in accordance with the requirements of the competitive market must improve his/her knowledge, skills testing through simulation his own management decisions in order to achieve the optimal choice of objectives.

By definition, process simulation experiment is conducted, performed using electronic computers, the model of a system. [2, 28] system means for the purposes of this paper, a set of elements joined by a series of relationships interaction and interdependence to achieve a goal that matches demand and maintaining motivation of its operations. [3, 24]

In the last two or three decades simulation has come to occupy a leading position as essential instrument necessary for the design of socio-productive systems, but also for the foundation of decisions especially those of strategic nature. The most representative definition of simulation is found in Webster's Collegiate Dictionary, where simulation means „to pretend to get to the essence without reality.”

The literature offers us other definitions, as well, that can be considered as representative, such as:

- By simulation we understand a technique of construction and representation of a real phenomenon to be studied and the observation of its behaviour instead of the studied phenomenon.
- Simulation can be considered a dynamic representation of a part of the real world achieved by creating an abstract model and then by moving it in time.
- A methodology that allows testing, evaluating and manipulating a system without acting directly on the real system. [4, 93]

Historically, business simulations are presented as a teaching tool since before the boom of the personal computer industry. By 1965, in U.S. universities there was a full manual simulation called The Small Business Management Exercise. Within it, participants were taking business management decisions and the administrator decided – what happened – based on charts and simple arithmetic correlations. According to the experts' opinion, the game successfully achieved its mission: to show the participants what is general management. [5, 21]

Computer business simulations are currently the most common in environments that promote them as teaching tool. Their development is due to the boom recorded by the modern technology, the evolution of personal computers and the emphasis of their role in the current processes in any domain.

1.2. The Companyription of simulation models

The creation of a simulation model supposes the inclusion in stages of the following basic elements:

- decision-making rules, they influence the obtaining of intermediary and final results;
- entities and variables, to which are attributed numeric or logical values;
- relations, Companyription the way in which entities are related to each other;
- the state of the system, static or dynamic
- exogenous events that occur independently of the system state;
- retroaction relations or feedback relations;
- stopping criteria, by which there can be defined the time horizon or the accuracy of the model.

In the modelling process, the system components are associated both controllable variables, by the input data as well as uncontrollable variables evidenced by the results of simulation. Translating the real environment in simulation model, means, in addition to setting inputs, the identification of functional relations, which determine the interaction with the internal or external environment. The purpose of the model is to express uncontrollable variables based on the controllable ones so that it can quantify the system performance. The equations and functions included in the model are designed to ensure the logical development of events, involving computer use, due to the complexity of inter-

conditioned activities. Finally, the economic and mathematical model completed with the necessary procedures becomes a simulation model, producing repeated experiments on the system that it simulates, allowing managers the possibility to test every decision before putting it into practice.

Being „a technique for achieving experiments by means of the electronic computer, which involves the use of mathematical and logical models that describe the behaviour of a real system over a period of time”, simulation is used for various purposes, either for a better management of material, human, financial and time resources, in the management process, or to assess and compare the organization performance with the key competitors. [6, 38] Thus, for each simulated requirement, there is used a specific model, adapted to the features and variables involved in the economic and mathematical model.

Today, simulation covers a wide range of applications, from solving job problems to the analysis and optimization of manufacturing or storage processes and logistics systems. As a result, many types of simulation software packages have been developed to meet all requests. However, selecting the best software involves making a comparative study on the flexibility in approach, on the degree of comprehension of the model based on set objectives. The evolution of the information technology in relation to compression of the reaction time towards the influences dictated by the business environment, led to the creation of a fuzzy system of a hierarchy of simulations based on objectives, called Fuzzy Analytical Hierarchy Process. [7, 23] FAHP is a model used to prioritize and assess the available alternatives based on the proposed criteria for choosing the appropriate simulation software. The proposed methodology is applied to select the appropriate simulation software as an experiment and the results are provided.

The economic-mathematical models used in the management process can be descriptive, if they have as objective to replicate the properties of the simulated system, or regulatory, if they are to be applied in order to increase performance.

In the category of descriptive models are included:

1. **the models that capture aspects of production, technology and marketing**, such as modelling the evolution of the market share of competitive products, with Markov chains, of the type Gantt charts, Critical Path Analysis, models for determining the capacity of production, transportation (transportation route optimization using Little’s algorithm), for the phenomena of waiting, storage, statistical control of product quality, simulation models of consumer behaviour (Monte Carlo Simulation);
2. **information, decision-making models** that describe, on the one hand the information system, namely, the flow chart of documents, downstream-upstream-type models, on the other hand, the structure of decision making process, such as Arrow’s model of group decision, utility theory, models under risk and uncertainty (von Neumann-Morgenstern axiom), multiple criteria models (the maximum global utility method), models for financial and accounting records;
3. **models of human relations**, trying to capture the dependence between motivation and behaviour, the management style of leaders, or purely normative models such as the enterprise decentralized management model;
4. **information models**, such as software and applications, data organization models and complex hardware models.

From the classification of the four models, we can notice both the descriptive characteristics and the regulatory ones, of their applicability, the difference between them consisting in the degree of intensification of the modelled situation. In terms of applicability, of the above models the most commonly used in the pharmaceutical, financial, military field is Monte Carlo simulation, which presents the most viable solutions in terms of risk and uncertainty.

In the paper *Modelling risk. Applying Monte Carlo Risk Simulation, Strategic Real Options, Stochastic Forecasting and Portfolio Optimization. Second Edition*, Johnathan Mun presents the

advantages of simulation use exemplifying the results of the method used in the pharmaceutical, financial, military field. Thus, in the pharmaceutical field, the objective of simulation was to optimize the expected cash flows if the simulated company would resort to an alliance with another partner in the field. By means of the applied model, there was followed a quantitative assessment sought to maximize financial results for each type of alliance, according to the degree of risk involved. As a result, the strategic alliances subject to the simulation of effects were:

- a product licensing alliance. It occurs when an organization wants to access the production technologies of another partner, the degree of risk being nonexistent since these types of agreements are made at almost every stage of development of the pharmaceutical industry;
- Product purchase and license and therefore to obtain the right to develop and commercialize it as a whole or partially,
- alliance for promoting a product. It involves the short-term acquisition of an exclusive license accompanied by a guarantee after purchase, for a technology or product that will be included in a specific market;
- Co-marketing alliance necessary when two companies sell on the market the same product under different names;
- Alliance investment, involving the purchase of a partner's stock, as a result of a strategic alliance, established in advanced.

A cooperation agreement between two entities involves the combination of goals, desires, demands and pressures of negotiation, the advantage being in favour of the one possessing exceptional negotiation skills, additional training and which does not require immediate liquidity. The success of choosing any variants of collaboration depends on a number of factors with impact on the business, such as:

- the power that lies in intellectual property;
- the exclusivity of rights on territorial agreements;
- unique transferred technology;
- the competitive position of the organization;
- the stage of development of technologies;
- the risk associated with licensing or sale, as the case

In the oil and gas industry, Monte Carlo simulation can be an ideal tool for assessing the prospects of a project, under significant complex uncertainty conditions, whose hypotheses would make any estimate nearly useless. The technique gives each participant a simple and effective framework for quantifying and assessing each risk factor that will influence the outcome of the drilling project. In addition, Monte Carlo simulation provides the management team something more valuable than a forecast, namely a probability distribution for the entire spectrum of project results, allowing the exploration of any Companyenario, choosing the best variant compared with the project value. These Companyenarios could include sequential probabilities as well as Companyenarios with very weak results that could harm the project.

Monte Carlo simulation for the oil and gas prospects provides the management critical information about the risk factors and assumptions that lead to project failure probability, offering all major feedback they need in order to adopt the decision to allocate the necessary resources for the improvement of the desired efficiency.

The oil and gas industry is an excellent place to examine and test the techniques for risk analysis. The basic business model involves making major investments in land, geological data, drilling, in the expertise capacity of the human resource in exchange for a production flow that does not provide the certainty of obtaining a profit.

Multiple factors of significant risk that determine the profitability of the project refer to the risk of drilling, geological difficulties, which involve the resizing of operating costs, the selling price that the company could practice as well as the materialization of political conflicts. To highlight the importance of managing these risks in the mining industry, several oil companies, of corporate level,

requested support to review and assess the risks of units that intend to engage in large capital projects. [8, 4]

Risk management in hospital administration is a case of Monte Carlo simulation used to estimate the optimal decision in terms of quality-price, on the modernization of the existing building or the building of another hospital. The need to create new spaces arose from the increasing number of requests for assistance, reason for which became necessary to create a forecast over a period of 10 years. Keeping the same level of demand, using the linear regression function in Excel, the resulted a need of 514 beds for treatment. Analyzing the existing capacity there could be observed a difference of 95 beds, reason for which the hospital management initiated a feasibility study. Since the data from the study showed no influence of risk factors on investment, the hospital management turned to a consulting firm which presented an investment cost management solution, favouring modernization. The latest research in the field support the involvement of the methods and models for the optimization of the managerial process, of the importance of ensuring comparability of results, of the organization performance, focusing on the negative effects of their failure to adopt. Thus, in order to evaluate the dynamic economic performance relative to the internal or external key competitors, the benchmarking technique is applied, globally or in part, seeking the leverage, value added and product management or the evolution of products on the market, which, from a quantitative point of view, can be simulated by using the Markov chain model. [9, 45]

1.3. The elaboration of simulation models

Viewed with Companypticism by practitioners, because of the complexity in dealing with all issues that were not answered before, simulation has become the most used method of diagnosis, testing, evaluation, projection of all times. Used partially for a budget estimate, or entirely, in the company management, simulation as a technique follows a model based on which it runs the functions required by each step appropriate to the calculation algorithm. Thus, developing a simulation model involves first setting goals or utility, followed by the analysis of the organization or, where appropriate, of the activity in order to identify the input data, the relations generated by the logic of events, variables, also called status factors that influence the final result.

1.3.1. The determination of simulation objectives and users

When implemented on a computer, based on different values of controllable variables, generated by specific routines of the algorithm, the simulated model will produce uncontrollable values and choose, from several options, the one which meets the objectives set in building the model.

Example: In order to estimate the performances of a company operating in a competitive environment, this being, in fact, the objective of the simulation that I want to achieve, I have chosen as real model a company which meets the requirements, i.e. it is an active producer in the aviation industry, having a presence on the market for over 20 years, both internally and externally.

I would also mention the fact that when we consider the construction of a simulation, with direct applicability, similar to dedicated software, the starting point is the user, because he/she knows what he/she expects from the application, and, more specifically, what documentation it can provide for the next stages. If simulation can be used in teaching, then it would be ideal that, in its construction, to involve variables and complex patterns leading to the generation of alternative Companyenarios for each area of general interest (management, marketing, commercial, legal, financial, accounting), as a company game or exercise firm. This stage is essential in the design of the model as it depends on the creation of the algorithm and the purpose of the simulation.

1.3.2. Establishing the main characteristics of the simulated field

As a technique of performing experiments by means of the electronic computer, simulation requires the use of mathematical and logical models leading to the transposition of the real system behaviour in virtual environment. Thus, after the formulation of the problem, there are determined the set objectives, hypothesis and the statistical specification of estimates.

The second step in the Company schedule of activities is the collection, processing and preliminary analysis of real data, provided by the user. To determine the characteristics of the field and the input, the variables and types of simulation, there are performed intermediate steps to verify the accuracy of data as well as the existence of an inter-conditioning between elements.

Example: economic model

If one wants to simulate the risk of bankruptcy or the increase of value added, the data necessary to determine the inputs, variables and the calculation algorithm of the possible Company scenarios are taken from the organization’s economic and financial statements (balance sheet, income statement, attachments). They will be analyzed, evaluated, compared in time for an interval of at least three years, preferably five years, to identify not only the state variables, but their trend or evolution from one stage to another. If the initial analysis is performed regressively, in time, the design of modelling concerns the possibility of obtaining further effects. The complexity of the organization activities and the set objectives helps establish the simulation characteristics.

1.3.3. Identifying the variables involved and establishing the logical relations between them
 The literature identifies this stage as the second in building the model, but if we also include the others, previously performed, not as subdivisions of a group but as distinct elements generators of value judgments, we can say that the identifying of variables from a practical point of view takes place between stages two and three, and the setting of logical relationships, especially in stage three. In support of its arguments, we presented in Figure 1 the route pursued in the investigation. Since the objective of simulation is the projection of the company’s business strategy, the starting point in the study was represented by the analysis, evaluation, quantification and comparison of economic performances of the model on an interval of 5 years.

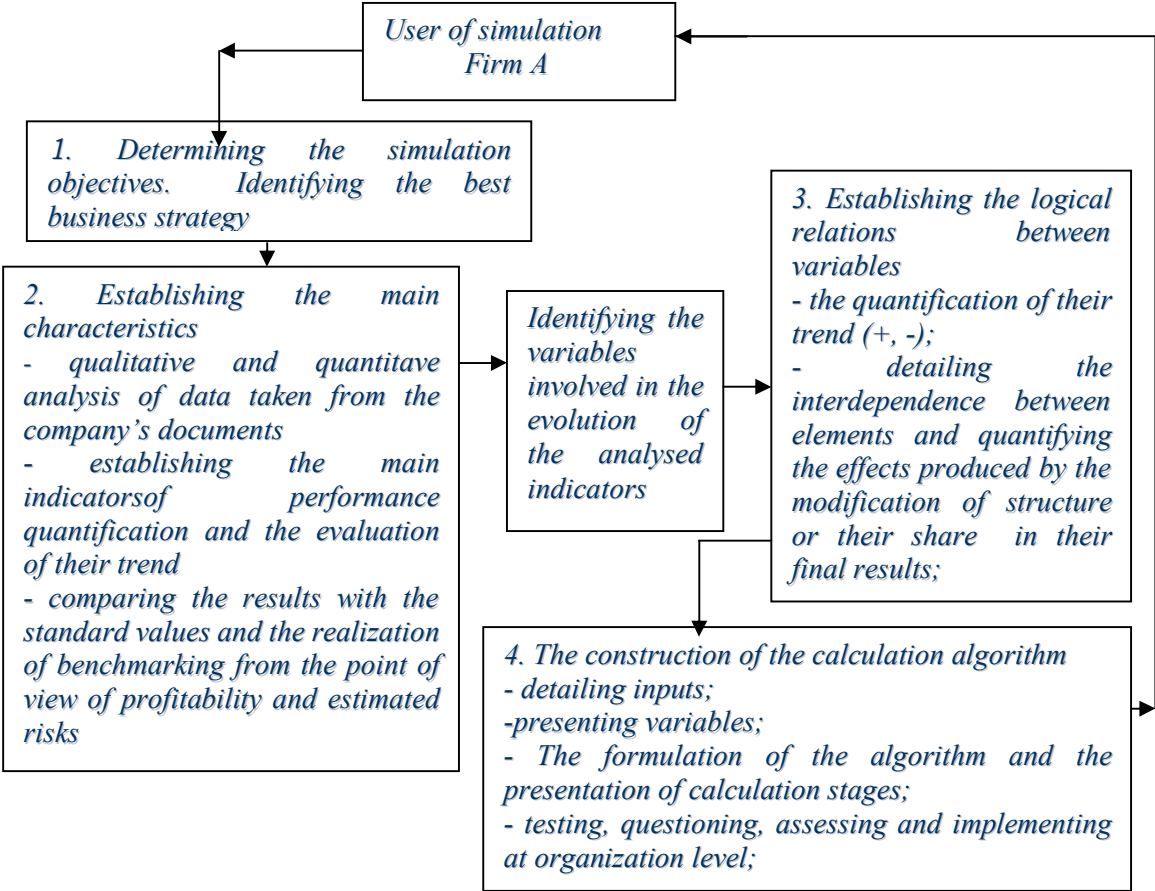


Figure 1. Stages in the elaboration of the simulation model

I have made this redivision of stages to facilitate control and transparency of the model, identifying more easily the source of errors generated by the system.

2. The simulation of “A” firm strategy

2.1. The integration of the analysis results and the setting of simulation inputs

As one of the most important aircraft manufacturers and suppliers, the economic analysis of COMPANY “A” has been made for this simulation, in terms of intermediate management balances. The interpreted results are as follows

- the commercial margin showed an increasing trend during the analyzed period (except in 2007) due to increased revenues from the sale of goods at a higher rate than the increase of expenses on goods. This fact determined the increase of the commercial activity efficiency measured by the commercial margin rate during the analyzed period, which showed values from 4.82% in 2007 to 12.20% in 2010.
- the turnover in comparable prices showed an upward trend, reflecting a development of the activity.

The turnover records an upward trend in the analysed period, due to the increased revenues from the sale of goods, as well as to the sold production. In all the years of analysis the largest share in turnover is held by the sold production holds, reflecting a positive situation and highlights the importance of the company’s basic activity as compared to the strictly commercial activity. The turnover must have a minimum share of 85% of total operating income and 75% of total revenues of the company to reflect a normal situation to achieve the task. The share of turnover in operating income, as well as in total income registers values above the limits mentioned above, but with a downward trend in the last year of analysis.

- the production registered a continuous growth (6.15% in 2008 to 9.35% in 2010). The sold production participates to its formation, the company having a lower value level of stock variation and of fixed production. .

The general trend is increasing the share of sold production and reducing the share of stock variation, which means a reduced risk of incapacity to sell. In 2010, the share of sold production in the exercise production is 97.02%; 1.66% is the variation of stocks and 1.32% the production made for its own purposes and capitalized.

To reflect a development of the activity, influenced by the inflation effect, the dynamics of production should be increasing.

- the value added shows an increasing trend of the indicator, reflecting an increase in wealth due to the use of the enterprise resources. This is due to a greater increase of the commercial margin and the exercise production as compared to intermediate consumption. However, it appears that the growth index of value added is higher to the growth index of the exercise production, except for 2007, which means reducing the exploitation of resources and is a warning for the enterprise.

From the analysis of rates of value added remuneration, there results that in the analysed period wages held the largest share in total value added (between 57.86% and 82.15%) followed by the self-financing of the company, which has a share between 7.28% and 13.16%. The remuneration of the state through taxes has a low and declining share, which means a decrease in tax burden, with positive consequences, evidenced in an increase in funding sources. The remuneration of shareholders increased in the analysed period, following the policy of distributing dividends, while the remuneration of creditors has a relatively low share of value added and registered a decrease, the consequence of an effective financial management.

In the periods 2007-2008 and 2008-2009, the value added increased by 13,398,118 lei, respectively 7,631,984 lei, 4,582,247 for 2009-2010. This change is due to:

- the reduction of employees’ number to 70 in 2007-2008, with 114 in 2008-2009 and 238 in 2009-2010, which has reduced the value added with 2,464,794 lei, 5,138,003, respectively 12,759,655 lei;

- the improvement of labour productivity, with positive effects on the analyzed indicator, resulted in its increase with 10,291,148 lei in 2007-2008, with 6,134,169 in 2008-2009 and 14,811,363 lei in 2009-2010;
- in 2007-2008, the increase of value added to 1 leu exercise production caused an increase in the value added of 5,571,764 lei, in 2008-2009, 6,635,818 and 2,530,539 in 2009-2010.

During 2006-2010, the indicator registered an upward trend, reflecting an increased operating funding capacity. In 2007, the indicator decreases as compared to 2006 with 20,860,143 lei, fact determined by the increase of value added at a rate lower than the one recorded for staff costs ($I_{va}=80\%$, $I_{Chp}=113\%$).

In 2007 compared to 2008, gross operating surplus increased by 7,290,148 lei, under the influence of the following factors:

- the exercise production increased over the previous year, which resulted in the increase of the analyzed indicator with 1,255,475 lei;
- rate of value added increased by 18.35% compared to 2007, with positive effects on the EBE, embodied in an increase with 7,290,148 lei;
- EBE share in value added increased by 7% resulting in an increase of EBE with 5,140,871 lei.

For the next two periods EBE registers the following evolution, under the influence of the change of component factors: in 2008-2009 the indicator increased by 9,172,351 lei, and in 2009-2010 EBE increased by 6,955,302 lei.

- the increase of the production positively influence the indicator in both analysis periods, causing its increase with 230,421 lei (2008-2009), respectively 664,183 lei (2009-2010);
- the change of the value added rate has a positive effect on the indicator determining its growth with 1,534,914 lei in 2008-2009 and with 819,191 lei in 2009-2010;
- the increase of EBE share in value added also caused an appreciation of the analysed indicator with 7,407,017 lei in 2008-2009 and 5,471,928 lei in 2009-2010.

From the analysis of operating income level there results that, in the period 2006-2010 it registered a positive level, the operating activities taking place in economic efficiency parameters.

The analysis of the evolution of the operating result level reflects an increasing trend (except for the year 2010) due to higher operating income at a higher rate than the corresponding costs.

In 2007 compared to 2006, the operating result recorded a decrease by 7,005,123 lei due to:

- the change in total assets, with negative effects on the analyzed indicator, resulting in its reduction with 2,184,170 lei;
- the growth of current assets rate with 2.53%, which led to the increase of the operating income by 3,229,868 lei;
- the reduction of the rotational speed of the current assets by 0.07 rotations, leading to reduced exploitation of the results with 6,789,427 lei;

In the following periods of analysis, the operating result records the same trend of decrease under the influence of changing the following factors:

- the increase of total assets had a positive effect on operating results, as it increased by 1,331,293 lei in 2007-2008;
- the increase of current assets rate had positive effects on the indicator, causing its appreciation with 1,823,679 lei (2007-2008);
- the decrease of the rotation speed of current assets also resulted in reduced operating result for the period 2007-2008 to 2,182,457 lei;
- the profitability of sales decreased in 2008 compared to 2007 by 0.04%, negatively influencing the indicator, i.e. reducing it to 4,327,616 lei.

In 2009 compared to 2008, the operating result registers an increase of 4,738,465 in 2010 compared to 2009, of 2,452,939 lei due to:

- the change of total assets, with negative effects on the analyzed indicator, causing its reduction to 184,085 lei for 2009/2008 and with positive effects of 1,329,859 lei for 2010;
- the reduction of current assets rate with 0.64%, which resulted in reduced operating result with 349,750 lei, for the period 2009-2008 and with 803,723 for 2009-2010;
- the increase of the rotational speed of current assets with 2.36% rotations, leading to appreciation of the operation result with 713.308 lei,

Following the interpretation of the results, I have chosen as inputs for the created model the following indicators:

	A	B	C	D	E	F
1	Indicator	2006	2007	2008	2009	2010
2	Vânzari de marfuri	2,527,103	3,544,931	3,979,102	2,633,927	2,121,178
3	Cheltuieli privind marfurile	2,098,103	3,373,578	3,646,468	2,338,554	1,862,477
4	Marja comerciala	429,000	171,353	332,634	295,373	258,701
5	Productia vanduta	138,449,511	135,645,801	148,718,634	154,174,520	156,168,035
6	Variatia stocurilor	1,014,266	15,015	4,460,157	1,528,153	2,678,281
7	Productia realizata pt scopuri proprii si capitalizata	1,516,425	1,059,268	1,640,461	1,243,304	2,117,222
8	Productia exercitiului	140,980,202	136,720,084	154,819,252	156,945,977	160,963,538
9	Marja comerciala	429,000	171,353	332,634	295,373	258,701
10	Consumuri intermediare	67,328,467	77,771,604	82,633,935	77,091,415	76,490,057
11	Valoarea adaugata	74,080,735	59,119,833	72,517,951	80,149,935	84,732,182
12	Venituri din subventii de exploatare	0	0	0	0	0
13	Cheltuieli cu personalul	42,865,950	48,567,245	54,681,733	53,014,636	51,080,040
14	Cheltuieli cu impozite, taxe	870,853	1,068,799	1,062,281	1,189,011	750,552
15	Excedentul brut de exploatare	30,343,932	9,483,789	16,773,937	25,946,288	32,901,590
16	Alte venituri de exploatare	279,088	230,647	992,006	416,247	608,765
17	Ajustari de valoare privind imobiliarile, activele circulante si provizioanele	12,910,187	-1,063,316	10,414,082	13,924,412	18,979,894
18	Alte cheltuieli de exploatare	685,862	755,904	685,114	1,032,911	672,310
19	Rezultatul exploatarii	17,026,971	10,021,848	6,666,747	11,405,212	13,858,151
20	Venituri financiare	2,639,124	2,711,217	8,384,454	6,000,553	7,698,507
21	Cheltuieli financiare	2,269,375	1,814,506	3,965,943	4,014,543	6,150,581
22	Rezultatul financiar	369,749	896,711	4,418,511	1,986,010	1,547,926
23	Rezultatul curent	17,396,720	10,918,559	11,085,258	13,391,222	15,406,077
24	Venituri extraordinare	0	0	0	0	0
25	Cheltuieli extraordinare	0	0	0	0	0
26	Rezultatul extraordinar	0	0	0	0	0
27	Rezultatul brut	17,396,720	10,918,559	11,085,258	13,391,222	15,406,077
28	Impozit pe profit	3,946,052	771,691	1,581,534	3,181,235	4,129,664
29	Rezultatul net al exercitiului	13,450,668	10,146,868	9,503,724	10,209,987	11,276,413

Fig. no. 1. Companyreen capture on simulation inputs

Due to its utility and complexity, the estimate of their future value, in whole, but also on structure, provides informational support necessary to the adjustment in time of the possible influences from the competitive environment.

2.2. Setting the strategy for 2011-2015

Located on the border between management and informatics, the decision-making system is „a set of interrelated decisions taken and implemented in an organization, properly structured according to the system of objectives and to the configuration of the management hierarchy, with the purpose of developing the management process.” [10, 78] The core of this system is the decision, embodied in value judgments one or more individuals, and based on information, in order to achieve the set objectives. The most important category for the company environment, of a higher complexity and difficulty, with influences at the group level, is the management decision. In the decision theory, information plays a crucial role, because all elements that contribute to its adoption are reflected in terms of information.

The main action of the „A” company management was related to the maintenance of the status of leading provider of aviation systems and land defence systems. At the same time the company acted as a subcontractor of aviation parts and assemblies for the global aviation industry and for the development of civil aircraft maintenance and conversion. The continuous improvement activities of processes, technologies and organization of production have increased. The management of the analysed company included in the strategic plan as main objective the maintaining on the market through the best cost for the provided quality.

The speed with which it comes to operational excellence, the increase in innovation and the development of information technology while developing human resources, according to the requirements of foreign markets, are the latest challenges of the competitive environment in this industry.

The company's development strategy adopted for the period 2006-2010, was based on the business development of the three-pronged line

- businesses in the area of military aviation and military ground systems;
- businesses in the area of aircraft construction and manufacturing for the aviation industry worldwide;
- businesses in the area of civil aircraft maintenance and modifications.

The threats faced by manufacturers in the aerospace and defence industry as a whole were related to the drastic reduction of resources, environmental policies that require the identification of new technological solutions and last but not least, the pressure imposed by the adapting of business models to the market requirements manifested amid the economic downturn.

With regard to air traffic, the reports of the International Air Traffic Association - IATA indicates a decrease in international passenger traffic of 3.5% in 2009 compared to 2008, calling it the biggest decline in history. The capacity of passenger transportation fell by 3% and air cargo decreased by 10.1%. The market of aviation maintenance services was in strong contraction, by reducing maintenance costs and the introduction of less intensive maintenance aircraft. The industry is rapidly moving towards a model of development imposed mainly by the major market players. The original equipment manufacturers and service providers closely integrate research and technology development functions, the manufacturing and services in multiple locations, worldwide. This complex model of industrial organization is the result of technological changes driven by the requirements of environmental protection and resource saving. It is found in parallel the increase of protectionism in many countries, continued by strategic manoeuvres to increase its own influence on the world, regional and local market, in areas of strategic interest, even if they consistently continued to implement savings plans, which require massive layoffs and measures of austerity.

These are not only challenges for industry but also opportunities for manufacturing companies, to update the business strategies, the organization and supply chains for a better reposition in relation to the new realities of the market. While maintaining pressure on the economy, companies are struggling to maintain their financial strength and ability to invest and grow on long term. Due to the fact that the activity of company „A” was held in 2010 in the context of fragility and uncertainty phenomena, of impact of financial and economic downturn on the global aerospace and defence industry, the strategy for the coming period is to maintain on the market, to develop new information technologies to ensure the minimization of crisis effects, to allow the focus on the customers' needs, requirements and expectations by creating advantages for them, and seize all market opportunities. The company management believes that this goal can be achieved through diversification, ensuring the viability of products and services with a high rate of value added.

The aim is to strengthen the strategic objective of becoming a centre of excellence for the manufacture of parts and assemblies of aero structures by means of the consistent support of the investment process in machinery and equipment, in the qualification and accreditation of special processes, in the training of personnel for those programs which have a future. In terms of the restructuring of supply chains for global general aviation programs, the company has managed so far to maintain its competitive advantage and the place gained in previous years. Like other operators in the field, the company's management aims to develop its presence aviation industry European market and further diversify the client portfolio, the access to new programs in the field of aeronautical construction. For 2011, the company applied proactively, solutions to suit market conditions by adopting, in this difficult time, a coherent strategy for maintaining the diversity of supply. In terms of investment efforts, the strategy proposed for the next period, i.e. 2010 - 2012, aims to achieve an increase in turnover, with 10% - 20% of the profit by entering other European Union markets, or by strategic partnerships. The aim is also to strengthen the position on the internal market, the reduction of manufacturing costs by

implementing advanced technologies in order to obtain a competitive advantage by charging better prices, continuing development programs through specialized knowledge of human resources, along with continuous improvement of quality.

Thus, knowing that the turnover of the COMPANY "A" recorded an upward trend in the period, due to increased revenues from the sale of goods and output sold and that in all years of analysis the largest share in turnover production has sold a business, reflecting a positive situation and highlights the importance of high core business of the company to strictly commercial activity, is considered to maintain a minimum 85% share of total operating income and 75% of total revenues of the enterprise that reflect the achievement of a normal activity. Although the share of turnover in operating revenues and total revenues, record values above the limits mentioned above, the downward trend in the last year of analysis leads to a shift in strategy.

The general trend is the increase of the share of sold production and the reduction of the share of stock variation, which means a reduction of commercial risk. In 2010, the share of sold production in the production of the exercise is 97.02%, 1.66% represents the variation of stocks and 1.32% is the production made for its own purposes and capitalized.

The main sources of growth were:

- the optimal valorisation of products and services portfolio;
- the increase of export prices;
- the reduction of costs for utilities and raw materials;

Amid a highly competitive foreign market, the company followed, in 2010, an increase in turnover, based on the strengthening of the position of leading supplier of avionics products. The implementation of intelligent and flexible marketing strategies allowed the obtaining of positive cumulated indicators. For the next period 2012 - 2015, the company management expects a growth of the annual profit of 25%, of turnover by 20% and environmental and technology investments of over 20 million euro.

For 2011 there were planned revenues of 141 million euro, following in 2012 to reach 171 million euro. The estimated total investment for the period 2008-2012 amounts to 20.35 million euro, of which 16.05 million euro will be allocated for business development, 3.3 million to reorganize the company and one million euro for environmental protection.

The company will allocate 500,000 euro for the purchase of licenses, know-how and new products,, and about one million euro for laboratory equipment. From the estimated investment for company reorganisation, of 3.3 million euro, more than half will be directed to the acquisition of appropriate equipment for the flows of conditioned products.

Given the issues identified in the diagnosis analysis, I consider that, during 2011-2015, COMPANY „A” should to be concerned with strengthening its position on the internal market and the meeting of the following strategic objectives:

- The increase of turnover. The growth rate envisaged for 2011-2015 was 20%, according to the expected market evolution in the field in Romania and to the internal potential of the company.
- the increase of the market share in Romania from 3.1% in 2012 to 5.62% in 2015;
- the increase of the net profit from 94 million euro in 2011 to 195 million in 2015;
- the increase of labour productivity;
- increasing research and development to introduce into manufacturing some new products;
- entering into strategic partnerships with prestigious companies to share research, development and launch new products.
- increasing environmental concerns and the alignment of technology with international standards.

2.3. The construction of the simulation soft of the indicators used in „A” company’s business strategy

The simulation program was made in C#, it allows the import and manipulation of data, in accordance with the estimated projections, as follows:

```

using System;
using System.Collections.Generic;
using System.ComponentModel;
using System.Data;
using System.Drawing;
using System.Linq;
using System.Text;
using System.Windows.Forms;
using System.IO;
using System.Data.OleDb;
namespace Proiectii
{
    public partial class Form1 : Form
    {
        DataTable initialDT;
        public Form1()
        {
            InitializeComponent();
        }
        private void LoadCSV()
        {
            try
            {
                DataSet ds = new DataSet();
                string ConnectionString = "Provider=Microsoft.Jet.OLEDB.4.0;Data
Source=\\\"+Directory.GetCurrentDirectory()+\"";Extended
Properties='text;HDR=YES;FMT=Delimited(,);";
                //string ConnectionString = "Provider=Microsoft.Jet.OLEDB.4.0; Data
Source='Registru.xlsb'; Extended Properties='Excel 8.0;HDR=Yes';";
                string CommandText = "select * from s2.csv";
                //string CommandText = "select * from [Book$]";
                OleDbConnection conn = new OleDbConnection(ConnectionString);
                conn.Open();
                OleDbDataAdapter oda = new OleDbDataAdapter(CommandText, conn);
                oda.Fill(ds);
                dgView.DataSource = ds.Tables[0];
                initialDT = new DataTable();
                initialDT = ds.Tables[0].Copy();
            }
            catch (Exception ex)
            {
                MessageBox.Show(ex.Message);
            }
        }
        private void Form1_Load(object sender, EventArgs e)
        {
            LoadCSV();
            dgView.Refresh();
        }
        private void generateYear(int year)
        {

```

```

DataTable workDT = (DataTable)dgView.DataSource;
workDT.Columns.Add(year.ToString());

int colnum = workDT.Columns.Count;
int y1=0, y2=0, y3=0, y4=0;

for (int i = 0; i < colnum; i++)
{
    if (workDT.Columns[i].ColumnName == (year - 3).ToString())
        y1 = i;
    if (workDT.Columns[i].ColumnName == (year - 4).ToString())
        y2 = i;
    if (workDT.Columns[i].ColumnName == (year - 5).ToString())
        y3 = i;
    if (workDT.Columns[i].ColumnName == (year - 1).ToString())
        y4 = i;
}
foreach (DataRow myRow in workDT.Rows)
{
    double n1;
    double n2;
    double n3;
    n1 = Convert.ToDouble(myRow[y1]) / Convert.ToDouble(myRow[y2]);
    n2 = Convert.ToDouble(myRow[y2]) / Convert.ToDouble(myRow[y3]);
    n3 = Convert.ToDouble(myRow[y4]);
    double value;
        if (n1 == 0 || n2 == 0)
            value = 0;
        else
            value = n3 * (n1 / n2);
    myRow[colnum - 1] = value.ToString("F2");
}
dgView.DataSource = workDT;
dgView.Refresh();
}
private void button1_Click(object sender, EventArgs e)
{
    int year = 2011;
    if (textBox1.Text != "")
        year = Convert.ToInt32(textBox1.Text);
    if ((year < 2011) || (year > 2100))
        MessageBox.Show("Va rugam introduceti un an cuprins intre 2011 si 2100");
    else
    {
        for (int i = 2011; i <= year; i++)
            generateYear(i);
    }
}
}
}
}

```

In order to check the utility of the program and the correspondence between data and the simulation requirements, I have obtained through interrogation, the running of projected Company scenarios of indicators, obtaining the following Company screenshots, figure number 2 and 3.

Proiectie

An: 2013

Indicator	2006	2007	2008	2009	2010	2011	2012	2013
Vânzări de marfuri	2.527.103	3.544.931	3.979.102	2.633.927	2.121.178	1697342.78	1000946.66	1217771.07
Chețuții privind marfurile	2.098.103	3.373.578	3.646.468	2.338.554	1.862.477	1252012.36	742851.43	922508.73
Marja comerciala	429.000	171.353	332.634	295.373	258.701	1257299.12	575132.41	567271.55
Productia vândută	138.449.511	135.645.801	148.718.634	154.174.520	156.168.035	174757672.03	165243518.88	161456955.24
Valoarea stocurilor	1.014.266	15.015	4.460.157	1.528.153	2.678.281	53741215028.36	61986820.88	317082280.70
Productia realizata pt scopuri proprii si capitalizata	1.516.425	1.059.268	1.640.461	1.243.304	2.117.222	4693983.28	2297168.76	5161436.01
Productia exercitiului	140.980.202	136.720.084	154.819.252	156.945.977	160.963.538	187951575.10	168259093.31	170227861.26
Marja comerciala	429.000	171.353	332.634	295.373	258.701	1257299.12	575132.41	567271.55
Consumuri intermediare	67.328.467	77.771.604	82.633.935	77.091.415	76.490.057	70359060.64	61777486.93	65702458.71
Valoarea adaugata	74.080.735	59.119.833	72.517.951	80.149.935	84.732.182	130236525.18	117348657.17	112244660.39
Venituri din subventii de exploatare	0	0	0	0	0	NaN	NaN	NaN
Chețuții cu personalul	42.865.950	48.567.245	54.681.733	53.014.636	51.080.040	50759696.24	43709287.48	43438583.81
Chețuții cu impozite, taxe	870.853	1.068.799	1.062.281	1.189.011	750.552	607817.19	684504.11	386033.07
Excedentul brut de exploatare	30.343.932	9.483.789	16.773.937	25.946.288	32.901.590	186191557.19	162834748.01	133489931.85
Alte venituri de exploatare	279.088	230.647	992.006	416.247	608.765	3168177.59	309086.36	1077312.21
Ajustari de valoare privind imobilizarile, activelor circulante si provizionale	12.910.187	-1.063.316	10.414.082	13.924.412	18.979.894	2256953496.77	-308119964.08	-314109364.72
Alte chețuții de exploatare	685.852	755.904	685.114	1.032.911	672.310	552886.35	919686.33	397051.04
Rezultatul operatiilor	17.026.571	10.021.848	6.666.747	11.405.212	13.858.151	15662498.29	40279517.74	28608612.96
Venituri financiare	2.639.124	2.711.217	8.384.454	6.000.553	7.698.507	23174615.30	5363132.37	9614290.92
Chețuții financiare	2.269.375	1.814.506	3.965.943	4.014.543	6.150.581	16813265.05	7786703.64	11785391.89
Rezultatul financiar	369.749	896.711	4.418.511	1.986.010	1.547.926	3145054.31	286886.56	497477.54
Rezultatul curent	17.396.720	10.918.559	11.085.258	13.391.222	15.406.077	24921523.77	29652991.77	2824082.88
Venituri extraordinare	0	0	0	0	0	NaN	NaN	NaN
Chețuții extraordinare	0	0	0	0	0	NaN	NaN	NaN
Rezultatul extraordinar	0	0	0	0	0	NaN	NaN	NaN
Rezultatul brut	17.396.720	10.918.559	11.085.258	13.391.222	15.406.077	24921523.77	29652991.77	2824082.88
Impozit pe profit	3.946.052	771.691	1.581.534	3.181.235	4.129.664	43278199.46	42476752.46	27412778.21
Rezultatul net al exercitiului	13.450.668	10.146.868	9.503.724	10.209.987	11.276.413	14000534.65	16058840.69	16509297.76

Fig. no. 2. The projection of the main indicators for 2012 and 2013

Proiectie

An: 2018

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3.544.931	3.979.102	2.633.927	2.121.178	1697342.78	1000946.66	1217771.07	1209998.18	891790.56	1839699.93	1502488.13	1114400.27	
3.373.578	3.646.468	2.338.554	1.862.477	1252012.36	742851.43	922508.73	778654.27	687258.81	1436452.38	577698.95	1022357.09	
171.353	332.634	295.373	258.701	1257299.12	575132.41	567271.55	3147778.71	296273.58	638832.29	3593990.20	60961.05	
135.645.801	148.718.634	154.174.520	156.168.035	174757672.03	165243518.88	161456955.24	178369798.83	150778096.82	155743360.40	176032874.04	134895460.66	
15.015	4.460.157	1.528.153	2.678.281	53741215028.36	61986820.88	317082280.70	3630228917963...	208676.99	925454969.16	2071308180034...	10.40	
1.059.268	1.640.461	1.243.304	2.117.222	4693983.28	2297168.76	5161436.01	6719804.22	148333.14	6810188.40	3946095.15	669048.66	
136.720.084	154.819.252	156.945.977	160.963.538	187951575.10	168259093.31	170227861.26	193808036.45	148588738.63	167921157.67	188970694.91	127252825.97	
171.353	332.634	295.373	258.701	1257299.12	575132.41	567271.55	3147778.71	296273.58	638832.29	3593990.20	60961.05	
77.771.604	82.633.935	77.091.415	76.490.057	70359060.64	61777486.93	65702458.71	60911276.73	58142387.27	70426164.87	61390155.75	63208838.72	
59.119.833	72.517.951	80.149.935	84.732.182	130236525.18	117348657.17	112244660.39	153194261.88	95667802.50	101556573.71	154368849.86	62241691.73	
0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	
48.567.245	54.681.733	53.014.636	51.080.040	50759696.24	43709287.48	43438583.81	44801030.01	38821733.64	44804552.50	46497815.95	39066737.08	
1.068.799	1.062.281	1.189.011	750.552	607817.19	684504.11	386033.07	495246.93	688704.12	344887.97	784561.29	850433.74	
9.483.789	16.773.937	25.946.288	32.901.590	186191557.19	162834748.01	133489931.85	595730667.39	92064873.74	86299000.99	469794908.58	16268625.58	
230.647	992.006	416.247	608.765	3168177.59	309086.36	1077312.21	3833655.30	71864.32	2567466.23	2621224.88	13808.72	
-1.063.316	10.414.082	13.924.412	18.979.894	2256953496.77	-308119964.08	-314109364.72	-27402664582.61	31460178.37	-234922715.65	-2010394547.04	264564.99	
755.904	685.114	1.032.911	672.310	552886.35	919686.33	397051.04	501655.95	1014713.72	263357.85	770724.72	1233892.21	
10.021.848	6.666.747	11.405.212	13.858.151	15662498.29	40279517.74	28608612.96	26610362.12	60550551.00	16722739.04	21900230.94	53576021.26	
2.711.217	8.384.454	6.000.553	7.698.507	23174615.30	5363132.37	9614290.92	2258387.42	1734235.25	13433858.52	17582993.62	576105.45	
1.814.506	3.965.943	4.014.543	6.150.581	16813265.05	7786703.64	11785391.89	21028094.36	3562587.88	11642718.10	13725238.14	1303255.91	
896.711	4.418.511	1.986.010	1.547.926	3145054.31	286886.56	497477.54	1296828.86	58221.95	1105796.99	1653849.90	28655.55	
10.918.559	11.085.258	13.391.222	15.406.077	24921523.77	29652991.77	2824082.88	39707874.56	29207073.05	23377149.95	34514754.36	18055333.23	
0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	
0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	
0	0	0	0	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	
10.918.559	11.085.258	13.391.222	15.406.077	24921523.77	29652991.77	2824082.88	39707874.56	29207073.05	23377149.95	34514754.36	18055333.23	
771.691	1.581.534	3.181.235	4.129.664	43278199.46	42476752.46	27412778.21	221303637.74	20726034.08	13628116.37	170478488.85	1977706.05	
10.146.868	9.503.724	10.209.987	11.276.413	14000534.65	16058840.69	16509297.76	18559080.83	17145588.06	15367287.87	16803922.85	13809524.92	

Fig. no. 3. The forecast of the indicators of management intermediary balances

After running the simulation, I mention that the company's business strategy can be implemented if they follow gradually the obtained values compared with the ones driven by the market. The threats that could condition the achievement of the set objectives refer to:

- the pressure related to the reduction of costs, pressure made on global aviation supply chains,
- the strengthening of internal competition by means of major foreign investment of the direct competitors;

- legislation, by frequent changes in tax code, increasing thus the tax burden rate reported to the volume of activity, the level of affordability reported to the taxpayer at the public budget;
- the inflation rate and the instability of the business environment;
- the annual decrease of the average number of staff;
- the mismanagement of indicators, the depreciation occasioned by imbalances between permanent and temporary resources and permanent and temporary needs;
- inability of current assets to cover current debts
- misuse of stocks;
- the incorrect management of the problems concerning the delayed recovery of claims.

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Achieving Excellence through Professionalism, Management and Hospitality in a Hospital

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Abstract: *The paper refers to features of health services and patient care to achieve excellence in the areas of impact, the size and influence on customers, hospitality management hospital patients. This study investigated excellence and hospitality services in a medical emergency. There are presented the implications for healthcare organizations seeking to implement best practices for hospitality and health care management to improve patient care. In addition, the novelty outside the hospitality industry study offers ideas for improving the management and hospitality excellence in hospital type organization.*

Keywords: *management, excellence, hospitality, hospital, patient care*

Introduction

In literature there are few studies that reflect the importance of hospitality in inpatient care system. Our study explores how hospitality extend past medical services excellence to create a comfortable and welcoming environment to, combat anxiety and stress to the patient.

Given the novelty of this study, which crosses traditional boundaries outside of traditional hospitality and enters the "industry" of health care, have been established two research objectives:

- Analysis of perceptions of the link between service excellence and hospitality.
- Identify external and / or internal barriers to service excellence and hospitality from the perspective of total quality management.

There were analyzed on the one hand, perceptions of doctors and nurses head to the hospital emergency departments Moinești regarding the service of excellence and hospitality, and patients or their relatives' perceptions of hospitality. Through this study we sought to examine the extent to which service excellence and hospitality have become / are becoming an important objective in a hospital. This was achieved through a survey of perceptions about service excellence and hospitality, using document review, observations, and questionnaire and interviews data collection. The study was conducted between January and June 2011.

Peculiarities regarding the medical services quality

Quality patient care is usually intangible: the patient becomes the consumer of services in times of crisis, the doctor does not pursue economic interests to streamline hospital and hospital choice is often based on the patient's home. The patient has no ability to receive the good or bad service and medical service does not pay directly but through Health Insurance Company. Patients and carers appreciate that his health is more important than anything else. He is often angry, scared and unsure of a decision. By virtue of local customs, family and patients are treated more attention during hospitalization.

Quality of health services depends on the synergy of human components, process and technology. The latter are influenced by patients' increased confidence in the system a sophisticated information

technology plays an important role. Quality is improving if included equipment faster and more accurate diagnosis.

Quality of the patient's health care is based on total quality management (TQM), and professionalism, and hospitality management. The complexity of medical care requires good management, self-assessed, evaluated, certified and put classified. The most difficult obstacle to the implementation of TQM is past cultural nature.

Hospitality

External forces such as new evaluation criteria, increased competition, increased knowledge and patients' needs, led to the fact that more hospitals reassess their service practices in order to ensure that patients receive appropriate care, comfort and without stress [1, 2]. Medical service excellence, focused on consistency and flexibility to properly execute medical care, to exceed customer expectations, all these would not be sufficient without great care [3]. Hospital manager must be aware of the importance of the concept of "hospitality" and how to improve service strategies will improve patient care, satisfaction and facilitate overall operations.

Hospitality refers to the quality or disposition of receiving and treating patients and visitors in a warm, friendly and generous [4], by including a comfortable environment for patients as a welcoming feeling [3]. Unfortunately, without adequate efforts to integrate hospitality into healthcare, the term seems to be almost alien in a modern health system focused on policy, competitiveness, and financial figures. Hospital's reputation must be established and maintained through superior service to the patient orientation.

Ironically, the term "hospital" and "hospitality" are derived from the root word "Hospice", referring to the idea of providing a place to rest and shelter for sick and weary traveller a long way. In modern times, many people would not consider healthcare and hospitality industry as being directly related, but orientation growth health hospitality provides recognition of word origins. Developing services for patients is not only strategic integration of the concepts of excellence with the best practices for patient care, hoping to finally get comfortable and relaxing experience for patients [5].

According to Pizam [6] "the difference between hospitals and hospitality is *ity*, but that *ity* can make a significant difference in the recovery of hospital patients" Act to be hospitable, increasing social interaction with patients carefully, improved customer service and organizational culture to support accountability for hospital employees, there are some conditions to have a patient with a good mental and physical condition [6].

In one sense, hospitality is defined as "receiving and hosting customers, visitors and foreigners with cordiality and good reputation" (Oxford English Dictionary). Baker & Bradley [7] stated in their definition of "providing accommodation and / or food services to persons who are away from home".

The new approach to total quality management concept proposes three components of hospitality: customer approach, healing environment and services (Figure 1).

Realization of the hospitality concept requires selection and combining of one or more of the elements of the healing environment, the services and the customer approach into an entity (Table1).

With the addition of hospitality services in general hospital environment can be made several advantages. Many patients can interact with a hospital several times in their lives. Because of high emotional value associated with meeting with the hospital are not pleasant memories of this experience. These memories are stories that are then shared in a positive or negative light to other potential patients. If emotions can not be eliminated or prevented, with a strong component of hospitality inspired by various information and offers available from the entry into hospital, is more likely to have patients and carers satisfied. However, in a medical environment, health outcome and the outcome can be positive or negative experience. Both can be improved by providing

professionalism and hospitality [8, 9, 5]. Dimensions of hospitality in the hospital environment were also mentioned by Lashley [3] (Figure 2).

Patten [10] recognized the infiltration of the concept of hospitality in within healthcare services as an ideal that should be embraced by caregivers of people hospitalized. The study postulated three types of hospitality, which are applicable in different situations and in hospital:

- *Public hospitality* specific hotels, airlines, restaurants, etc., which in the health care can be translated through everyday interactions.

- *Personal hospitality* is in response to personal invitations. In the hospital, personal hospitality is evident when people are hospitalized for a longer period of time, or emergency room if the interactions are short, but intense and emotional.

- *Therapeutic hospitality* indicate a service specifically aimed at people who need help, understanding, with the idea to include an element of moral / ethical. Therapeutic hospitality is used to connect faster and better healing processes and people to care, in order to reduce feelings of separation and loneliness. This is particularly important in a health care professional can often lead to feelings of frustration, anxiety, fear and loneliness.

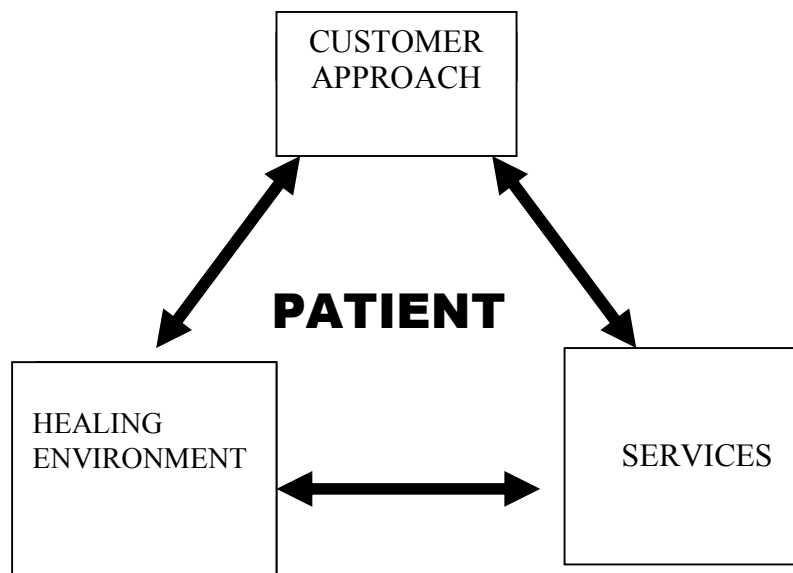


Figure 1 *Components in hospitality concept*

Table 1

Details of the hospitality concept

Heading environment	Services	Patient approach
Nature	wellness	Inquire
Daylight (Autonomy)	fitness	autonomy and freedom of choice
Fresh air	entertainment	Privacy
Noise	meals	self-reliance
Safety	shop	number of employees ne pat the bed
Social contact	restaurant	contact with fellow-sufferers
Territory	cleaning	registration and discharge
Fragrance	TV	personal attention
Seating arrangements	ICT	Care

Logger <http://pc.pamu.ee>

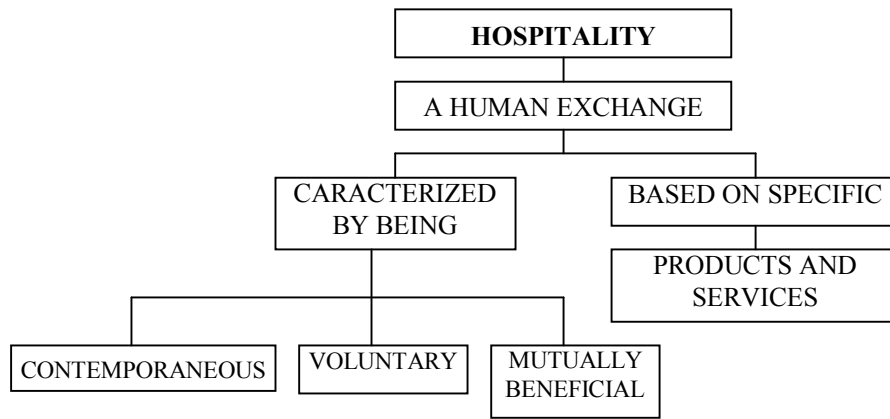


Figura 2 The dimensions of hospitality

(Lasley, 2005)

Patten [10] suggested that nurses embrace a mission of hospitality management to improve patient satisfaction therapeutic and speed healing.

Analysis of these definitions of public hospitality, personal, and acted as a basis for therapeutic Severt et. al [11] whose study proposes hospitality centred programs (HCP) in the hospital. Centred hospitality can be defined as programs designed for the hospital services that are used to create a comfortable experience and satisfaction for patients. These programs include maintenance and restoration techniques, specific facilities for guests, spiritual care and implementation of technical systems of education of patients.

Given their importance, we must understand how customer expectations are formed on patients in hospital hospitality. These expectations are based on:

- *Personal needs*: any person admitted has a set of personal needs and is expected to meet. They differ from service to service and from patient to patient;
- *Previous experience*;
- *Communication* by word of mouth (word of mouth) expectations can be shaped by communications from various sources, the service provider itself;
- *Explicit communication services*: leaflets, posters etc.
- *The default communication services* with respect to the physical appearance of the building, accommodation, intervention and treatment facilities, equipment and staff availability, etc.

A good knowledge of customer needs and expectations of patient satisfaction in general management is essential. To reach this knowledge, organizations can measure satisfaction hospital type to end service delivery process, which is not enough, being only one aspect of interaction with the person hospitalized. At this stage you can learn something for the next stage. Integrate the principles and requirements of hospitality in hospitals require harmonization between human component represented by medical personnel and traditional accommodation conditions. Reynolds and Leeman [12] compared the way of hospitality based on outsourced services in a health care organization with its own services, the latter being the ideal of hospitality management to support high quality patient care in terms of satisfaction and healing.

There are views against the inclusion of hospitality in the core business of healthcare organizations. King [13] considers the hospital as "non-hospitality". Traditionally, healthcare organizations are not regarded as typical hospitality organizations, and some authors suggest that hospitals can use the "hospitality" as a metaphor to describe the fact that by treating patients as guests to create a closer relationship between the caregiver and assisted. The difference between a patient and a guest is not mutual, a patient can be a guest but a guest is not always a patient. Therefore, the metaphor that a patient is treated as a guest should take into account the sensitivity that is expected of nursing service requested. Traditionally, healthcare organizations are not regarded as typical hospitality organizations,

even if it is needed [14]. This concept exists in health care facilities which provide accommodation and food from Romania.

The results of our investigations show that:

- medical staff is in full agreement with the advantages of applying the principles of hospitality at the reception, accommodation and feeding patients:
- chief believes that nurses are already implemented some of these principles in hospital emergency Moinești;
- most patients interviewed on the role of hospitality in the process of healing / health improvement felt that outside medical services themselves need the care of special conditions.

Excellency

*Hospital medical services excellence can be defined as **professionalism (P)**, **management (M)** and **hospitality (H)** in order to overpass client's expectations (Figure 3).*

For an organization, excellence in services refers to the consistency and flexibility of delivery of services to exceed customer expectations. Excellence is possible by empowering employees [15]. Berry [16] identified seven characteristics associated employees of organizations concerned with achieving excellence: innovation, joy, respect, teamwork, social profit, integrity, and responsibility. If hospitals are the result of these characteristics of an organizational culture of quality and excellence. According to Frey et al. [17] Bates, Bates, and Johnston [18], strategies for service excellence should also encourage the creation of a working environment based on innovative methods, proactive, responsible, based on mutual respect and communication between all levels of employees.

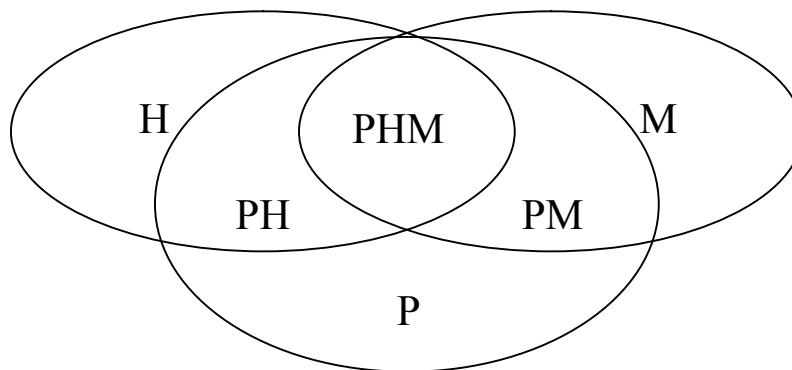


Figura 3 Hospitality (H), Management (M) and Professionalism (P)

Excellent service "industry" health can be defined as the standard achieved when employees feel properly evaluated, doctors feel that their patients are treated with great care, and patients appreciate the quality of services they receive [5].

Berry and Bendapudi [14] made an appeal to academic researchers to study the social, psychological, moral, economic and health services research. He was raised how health care differs from other services and thus requires further research in order to properly diagnose how service excellence can be rightly done in these situations. Six areas of impact were recognized as subjects of research to improve quality management that applies to health care:

- Customers have a combination of disease, pain, fear, and lack of control. For this reason, health care providers are in a unique situation that requires special attention to patient needs, which are more sensitive, demanding, dependent and emotional than the typical consumer. What can be done to improve care of patients feeling "control" over their care?
- Customers may be reluctant to be co-producers, because healthcare is a service they need, but do not necessarily want. How can increase the motivation of clinicians to facilitate the reaction of reluctance to co-producers?

- In the hospital, lost customers privacy and are forced to give up personal information and emotional. They discuss with their doctors provide some information to other people, and create a personal relationship underway with their healthcare provider. How do researchers identify ways to improve patients' interactions with their physicians?

- Customers need service for "whole person". Specifically, consumers need personal care services based on their applicable medical condition, regardless of age, preferences, family history and financial condition. What can be improved so that clinicians are better prepared to respond to physical and psychological needs so different?

- Health services provided are subject to risk customers (medical errors in the execution of care in hospital acquired infections, diagnostic or treatment errors, prescription errors). These errors are accidents involving human error and therefore it is important to understand which is the physical and psychological patient into hospital. How to prevent fear related risk patients?

- Clinicians are sick emotionally and physically attached. They work long shifts with little breaks, they have to stand up most hours of day / night working. They experience a variety of stress and emotional situations that require focus and concentration power to ensure adequate patient care. How to improve clinician-patient information exchange in these conditions?

Studer [5] identified five pillars of excellence (people, services, quality, finance and continuous improvement) and nine basic principles for operational services and excellence in healthcare that can help leaders focus on actions that will have the greatest benefit for the organization. The nine principles are:

- commit to excellence;
- measure the important things;
- building the culture of the organization;
- creation and development of leaders;
- focus on employee satisfaction;
- construction of individual responsibility;
- alignment with the goals and behaviours of European values;
- communication at all levels;
- recognition and reward success.

The proposed action plan for excellence in healthcare have to be very focused on creating a positive organizational culture that encourages involvement and self-motivating employees at all levels to put passion into their work. Several authors [19, 20] mentioned in their studies the importance and complexity of empowerment and accountability in the organization's environment to promote excellence. In health services, empowerment involves a dynamic interaction with the patient, family and others who have the same problem, partnership and consultation with the patient care team. In addition, we need to understand the complexity of interdisciplinary health of patients.

Strategic management of quality culture based on quality, hospitality and excellence in hospitals

Building a culture that encourages employee empowerment and satisfaction will have a greater chance to achieve levels of excellence in service [5]. Numerous studies have emphasized the importance of establishing and maintaining employee satisfaction within an organization as a precursor to ensure customer satisfaction [8, 9]. Attitude must be cultivated to be hospitable to all staff dealing with the reception and care of patients throughout the hospital.

Dagger et al [8] show that patients perceive the quality of healthcare in a series of four dimensions. The first dimension, *interpersonal quality*, describes the attitude, how, and behaviors of participating in the health and care services. It also refers to interactive communication component. The second dimension, *technical quality*, describes the experience of care and perception of the degree of novelty of installations, facilities, utilities, etc. A third dimension, *environment quality*, describe the atmosphere (intangible, smell, sound, comfort) and the physical (aspect room facilities, cleaning) parts. Final size, *quality administrative* opportunities refers to services, coordination with other departments, and support perceived by patients receiving non-clinical and clinical programs and facilities during hospitalization.

Lashley [15], a researcher of hospitality, service excellence defined as consistency and flexibility of delivery of services to exceed customer expectations. Referring to healthcare, Studer [5] defines the standards achieved service excellence when employees feel leading physicians feel their patients are treated with great care, and patients feel they receive quality services as excellent. In healthcare research, it seems that is not mentioned any distinction between the two terms in the current research purpose, the hospitality was defined as a philosophy that goes beyond excellent services to create a comfortable environment for patients with anxiety.

Hospital manager must know how to answer the question: "Is it the quality required of the organization by law or by the client / patient?" Among the basic principles of quality management and improvement is found, or this action is very poor quality decrease, the target to "zero defects". Logic leads us to say that to apply this principle is necessary to change management! Hence the conclusion: management can be changed at no cost - the service does not conform! This is where strategic quality management [21].

Strategic Management of Quality (MSC) is the new culture at the highest levels of the organization [22]. To enter MSC initiative and change needs top managers and personal involvement. Add to this the individual culture and culture of the organization as a whole.

After Trompenaars [23], each culture differs from another by the specific solutions they adopt various problems related to three categories: quality of relationships between employees, past issues of quality and quality in relation to environmental issues. A huge role in this growing propensity to quality is education and management.

Quality culture starts from management culture! [24]. For the top management of a hospital the component "quality culture in the organization" must be a constant concern on the way to excellence. Any management system must assess from time to time existing culture in the organization. For staff it is difficult health units. He must take into account cultural differences between partners (employees, patients, stakeholders). Culture of quality and excellence in the organizations had / has to go further (Figure 4):

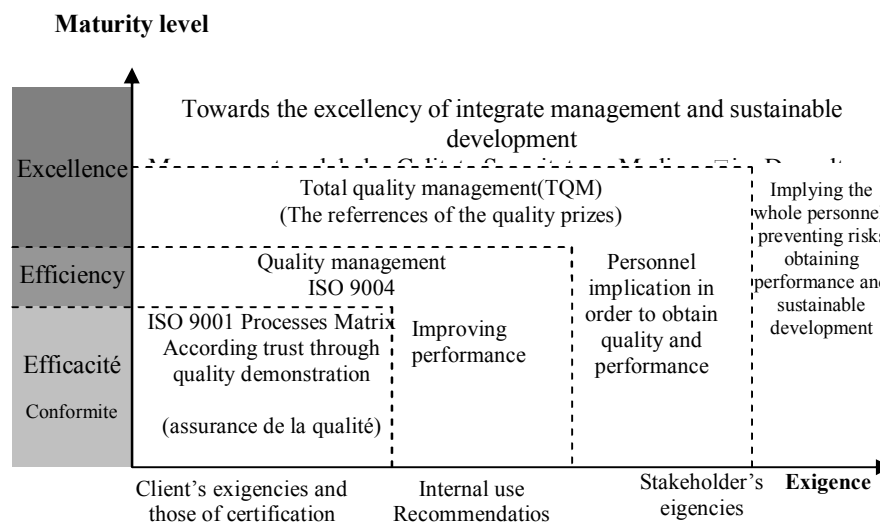


Figure 4. *The possible evolution of the quality management towards a global one integrating Quality, Security, Environment and Sustainable development*

- Compliance with standards (guarantee, quality assurance);
- Effectiveness (to do good, quality management, ISO 9001 requirements);
- Efficiency (doing better, TQM, self-evaluation requirements of ISO 9004);
- Excellence (doing better than others, TQM, Models of Excellence).

The components of total quality values are based on concepts such as trust, responsibility, integrity. This system of values that lead to peak performance and excellence include: professionalism, involvement, empowerment (empowerment), self-improvement, creativity, innovation and opportunity. These different sets of values are not mutually exclusive, but complement each other in a friendly work environment, which involves authorizing and attaches importance to staff. Quality and excellence is not possible without education. Culture of quality, excellence education is lifelong learning, in fact one of the main topics of debate at European and international level.

In our previous studies on the management of quality and excellence we concluded that we must conduct a two-speed SMC: one in relation to the standard quality (quality management) and one for continuous improvement (excellent management). Strategy of continuous improvement means that excellence is built over time and especially since culture is based on quality. Investing in knowledge helps the harmonization strategy - culture, generating positive synergies and excellence. Excellence is a continuous competition, not a destination. We believe that a critical approach, analytical way supports excellence and continuous improvement as continuous quality improvement leading to excellence, with respect to hospital services. Evaluation / self underlying performance excellence models, enabling organizations to identify strengths, opportunities for improvement, and systematic monitoring of the SMC.

Conclusions

What it means to be hospitable, how much it means to hospitality and that hospitality therapeutic patient can be elevated to excellence, these are some of the problems faced by any hospital. The literature supports our research on the relevance and importance of excellence in healthcare and hospitality, in an effort to improve patient care and their health. The differences identified in current literature relating to excellence in service and hospitality can not be fully justified if we consider health care consumer rights, raise awareness of consumerism to the healthcare industry. Consumers of healthcare are unique because they are more sensitive, demanding, dependent emotionally away from home and family. For this reason, they appreciate the service excellence and how to do hospitality efforts by administrators and employees of the hospital. Before the practice of hospitality to be recognized and realized in the organization, this difference should be understood. The importance of hospitality should be clearly understood and embraced throughout the organization, rather than just mentioning it as a mere "fad" or "buzzword" buzzword to redefine excellence in service.

We can conclude:

- There is a strong commitment of doctors, nurses and staff for excellence and hospitality services throughout the organization;
- The terms "service excellence" and "hospitality", when used, were discussed as interchangeable as if the two theories would be equivalent;
- Patients experience external barriers were identified as: improved technology, increased consumerism, quality regulations, labour shortages. Internal barriers and patient experience include the need for communication and inconsistency.
- Organizations have increased efforts to achieve excellence through professionalism, and hospitality management. Managing and measuring customer satisfaction, patients should be a primary objective of the overall management of a hospital unit type.

The hospital management excellence is seen as a successful combination of resources, professionalism, hospitality, organization and efficiency of management methods.

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Education for Sustainable Development

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Abstract: *The article deals with Sustainability Science as an emerging discipline that seeks to understand the interactions within and between global, social and human systems, the complex mechanisms that lead to the degradation of these systems, and the concomitant risks to human well-being and security. It also seeks to provide the vision and methodology that will lead to the restoration of these systems. A particular challenge is how to transform the educational system and process to make this possible. The goal of sustainability education (Education for Sustainable Development, ESD) is to equip the younger generation with leadership skills, management capabilities, and the broad knowledge needed to create the new systems that can lead to global sustainability.*

Keywords: *sustainability science, degradation, sustainable education, global sustainability.*

Introduction

Emerging concerns about sustainability are increasingly evident in many sectors of society, including political and economic fields, in schools and universities, communications, and public attention. This interest is prompted partly by the widespread dissemination of that population is increasing worldwide and some natural resources are about to run out endangering future generations, that there is waste and poverty.

In these circumstances it is increasingly necessary action in two directions / objectives: education for sustainable development and research for sustainable development. Best place to achieve the two objectives is higher education.

The first direction was undertaken by international organizations, primarily the UN, regional bodies, national and local.

The Earth Summit, as called United Nations Conference on Environment and Development in Rio de Janeiro 1992, the most important document - Agenda 21 outlined the role and importance of education as a tool to achieve sustainable development. Four main areas were highlighted in this program: quality basic education, education for sustainable development programs (EDS), public awareness and understanding of the importance of environmental responsibility, training and promotion.

Although all countries have recognized the importance of ESD, little was done in the coming years to promote and develop this initiative. UN idea was, however, followed by specific education initiatives in developing countries and especially in higher education in developed countries.

Reflecting the same interest and concern for sustainable development and conflict solving, researchers from many fields have arguments to support cooperation, integration of scientific fields in a new science - the science of sustainability. This science is about to become a distinct research field [1], [2], [3] with significant implications for sustainable development of education.

1. Sustainable development and its conflicts

In the last thirty years, sustainable development has emerged as one of the most prominent paradigms of development. In 1987, the World Commission on Environment and Development (WCED) presented a report known as definition: "Sustainable development is development that meets present

needs without compromising the ability of future generations to meet their own needs". "Triple Bottom Line" are the three dimensions known generally as "pillars" sustainable development [4]:

- The economic dimension: A sustainable system must be able to produce goods and services continuously, avoiding imbalances;
- Environmental dimension: The system must maintain the resource base, avoiding over-exploitation and non-renewable natural resources;
- Social dimension: The system must ensure an equitable, adequate provision of social services including health and education, gender equality, respect for minorities, political accountability and participation.

Given that three supporters of sustainable development - environment, economy and society are sometimes in conflict defined by environmental pressures, pressure effects becoming more worrying, ask What is the development?, La What does sustainability? The answers we find to Langley [5]: "Development is about men, the economy, to social communities", "Sustainability refers to culture and community, biodiversity, life support systems, from ecosystems" (Figure 1).

The analysis of the type of development - sustainable development and the need for balance proves complexity, but also a new vision about the present and future. Arrow that support answers to questions is suggestive approach today to tomorrow.

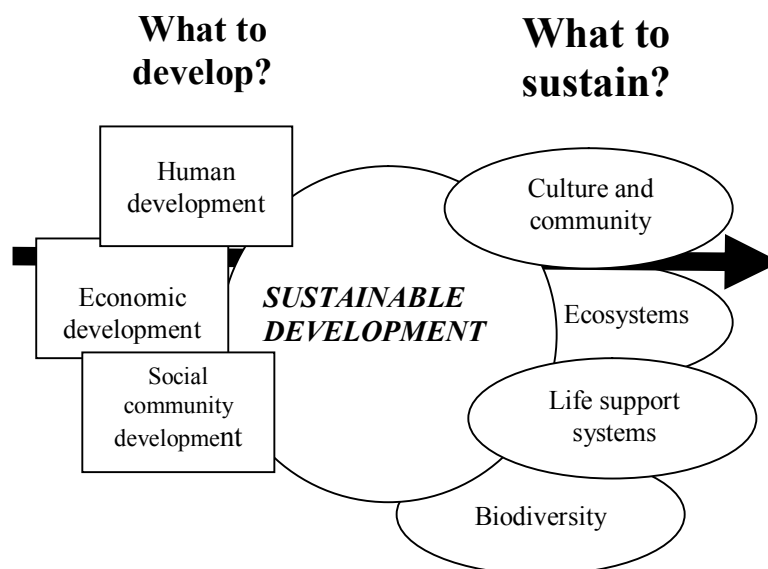


Figure 1. *The sustainable development. What to develop? What to sustain* (Langley, 2002)

The development of the environmental movement demonstrated that we have much to do to keep the necessary balance of sustainable development and to prevent / mitigate conflicts between *environment - economy - ecology - technology*. Geometry conflict sustainable development since the "triangle" to "parulater". "Conflict triangle" (Figure 2) suggested by Munasinghe [6] was presented as a model 3E (Economy, Environment, Equity). "Quadrilateral conflict" highlights a new conflict between technology and environment [7]. The resulting balance 3E sustainable development is presented in other studies as "green, profitable and equitable (green, profitable and fair, Gidding et al., 2002).

Some authors consider that the transition to sustainable development must take into account three special types of transition: demographic transition, economic transition and ecological transition.

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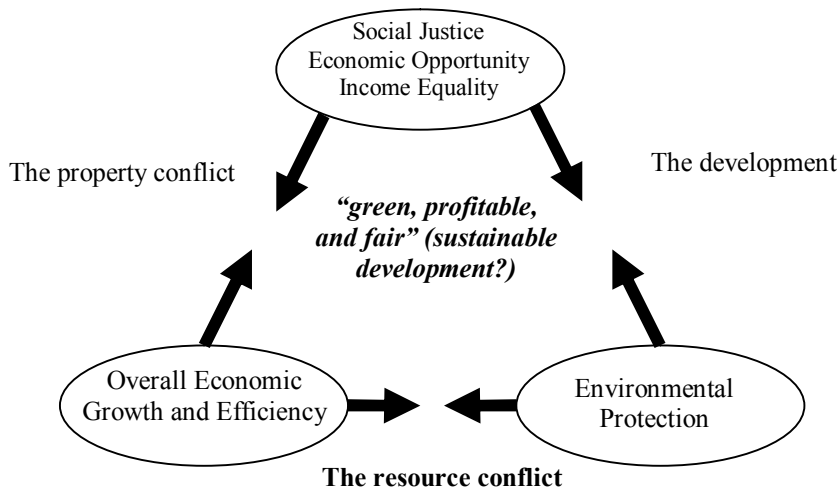


Figure 2. *The triangle of the conflicts.* (Campbel, 1996)

In Munasinghe's vision [6], there is also presented the triangle with the same key elements of sustainable development: *economy - society - environment* (Figure 3).

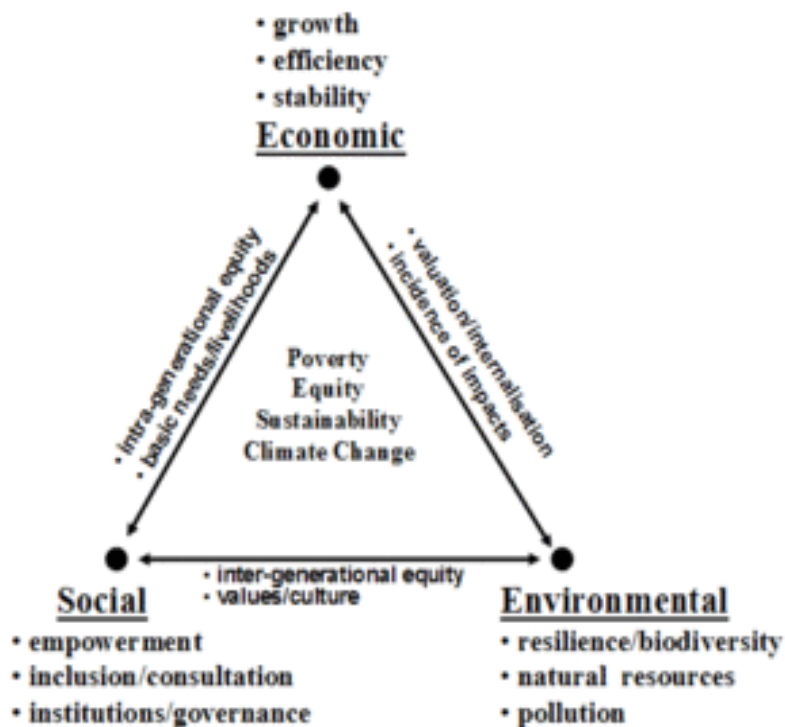


Figure 3. The triangle of sustainable development. Key elements and interactions

2. International Initiatives on Sustainability Education

2.1 United Nations Decade of Education for Sustainable Development

World Summit on Sustainable Development 2002 (WSSD) stressed the educational objectives of the Millennium Development Goals and the Decade of Education proposed Sustainable Development for the period 2005-2014 with UNESCO as agency coordination. The goal of Education for Sustainable Development (ESD) is to integrate the principles, values and practices of sustainable development in all aspects of education and learning. In this respect, UNESCO argues that ESD should have the following characteristics: to be inter-disciplinary and holistic based on values determined on critical thinking and problem solving, including several methods of teaching, and be oriented to local

participation. UN is committed to disseminate ESD by promoting increased quality in teaching and learning by facilitating interaction, exchange and networking among stakeholders and countries new opportunities to incorporate ESD into their educational reforms.

After WSSD-2002, world leaders in education and science organizations have signed the Ubuntu Declaration at the International Conference on "Education, Science and Technology for Sustainable Development". The main objectives of the Declaration of Ubuntu are (UNU-IAS 2005):

- Strengthening collaboration between S & T teachers and researchers;
- Better integration of S & T educational programs for sustainable development in all levels;
- Addressing based on education and scientific research;
- Innovation in the transfer of knowledge to bridge gaps and inequalities in knowledge.

In the international context of sustainable development education for academic education in many countries implemented special programs to license and / or master, and made additions to the programs of specialization, to find the turning new science - the science of sustainability

2.2 The Association of University Leaders for a Sustainable Future

Activity Leaders Association of Universities for future enable Susta (ULSF) began with the Declaration of the International Conference "The Role of Universities in environmental management and sustainable development' that took place in 1990 in Talloires, France. This statement was the first official statement by representatives of the major universities, representing a commitment to preparing teachers / students and participation in sustainable development of higher education. [8]

Currently, there are 433 signatory institutions from 52 countries (March 2011). Romania is present by the Polytechnic University of Bucharest. (www.ulfs.org)

ULSF mission is to support sustainability as important for teaching, research, action, and mobilization of colleges and universities worldwide through publications, research and evaluation. Some of ULSF objectives are:

1. College or university could incorporate concepts of sustainability adequately in all academic disciplines and professional education requirements. Specialists will be trained as critical thinking skills essential to ensure a sustainable future.
2. Sustainability will join the college students in research topics such as renewable energy, sustainable building design, green economy, wisdom, responsibility and commitment local clean technology, population and development, integrated quality management / environment / health.
3. The institution must be continuously engaged in reducing the "ecological footprints". In the production and consumption, universities must pursue sustainable policies and practices (e.g. CO2 reduction and use of emission control devices, sustainable building construction and renovation, energy conservation, investment environment, local food purchasing programs, performance environmental audits, etc.). Furthermore, these operational practices will be integrated into educational and scientific activities of the institution.

2.3 Models of Education for Sustainable Development

Although there have been many international initiatives to promote sustainability in higher education the results of these efforts are still unclear. Some studies, such as those of Wright [9], Arima [10], Jones et al. [11], says that many initiatives in an attempt to promote the concept of sustainability in higher education had little impact on education. Perhaps the most important result of these initiatives is that everyone recognizes the need to include the concept of sustainability at all levels of education. Universities are now facing criticism aimed at fragmentation of academic disciplines, the many voices calling for an integration of the humanities disciplines accurate for education to contribute to faster and more sustainable development [10].

Governments, industry, humanitarian organizations and other groups of people in the world expect higher education institutions to create sustainable solutions to environmental challenges, society and economy [12].

Universities in developed countries and developing countries must join forces in creating resources and energy conservation technology required for this purpose, and here comes the role of education for sustainable development as crucial [10]. Good practice for EDS in Europe, Asia-Pacific region, the U.S. relied heavily on volunteers. Change and progress in science and technology, economy and education in universities is preparing.

The European model "Copernicus-Campus"

Copernicus-Campus is the University Network for Sustainability in Europe. More than 300 European universities from 38 countries are members of this network. Copernicus-Campus is aimed at institutions of higher education activities related to sustainable development and aims to balance economic, environmental and socio-cultural institutional management programs and services local / regional community (Copernicus Campus Sustainability Centre). The University Charter was proposed network that encourages all members to contribute to sustainable development and play an important role in all their activities.

Segalas et al, [13] provide collaboration of three prestigious universities in Spain, the Netherlands and Sweden have made efforts to include ESD in their license. Following this cooperation was defined based on a set of competencies:

- Knowledge and understanding as well: the world situation, the causes of non-sustainability, sustainable fundamentals, science, technology and society, tools for sustainable technologies.
- Skills and abilities such as self-improvement, and transdisciplinarity cooperation, problem solving sustainable development, systems thinking, critical thinking, social participation.
- Attitudes such as responsibility and commitment in taking challenges SD, respect, ethics, culture of peace, awareness of risks.

The German Model

Example of Germany is interesting to note that the actions proposed in the Decade of Education for Sustainable Development has a default theme for each year (<http://www.unesco.de/>):

- Consumer behaviour and public administration;
- cultural diversity;
- Health and quality of life;
- Water supply and electricity;
- Biosphere reserves as places of study;
- climatic zones as places of study;
- Learning sustainability in scientific society;
- Participation of citizens and "good governance";
- The fight against poverty through sustainable development projects;
- Justice between generations: human rights and ethical orientation.

Moreover, the coordinates of Germany for a new welfare model could be "Slow down, less, better, more beautiful." (www.ecoinstituto.it)

In Europe, the promotion of Education for Sustainable Development takes place within the Bologna Process, which aims to harmonize the activities of higher education among EU members. "Leaders" with examples of good practice can be considered EDS: Polytechnic University of Catalunya, Spain, Delft University of Technology, Netherlands, Chalmers University of Technology, Sweden) etc.

The Japanese IR3S

The government strategy aimed a Japanese sustainable future direction of education in Asia may be a good example.

One of the most important and yet difficult challenges facing modern societies is how to mobilize science and technology (S & T) to minimize the impact of human activities on Earth systems and life support. For the Japanese considered it necessary to establish inter-disciplinary education programs is to design a unified vision for understanding the complexity of human nature, Research Institute for Sustainability Science (RISS) has launched several programs in 2005-2009 based on Sustainability Science [14]. These programs address the question of how to use knowledge to better understand how dynamic interactions between nature and human society. The program is also the first international initiatives of EDS based on Sustainability Science. These are the Integrated Research for Sustainability Science (IR3S) applicable to the five major Japanese universities.

IR3S is trying to establish graduate programs based on sustainability science master at five universities participating. IR3S importance is that these programs are the first comprehensive programs that integrate various academic disciplines and education networks in sustainability science in Japan. IR3S defines sustainability science as a new academic discipline that seeks to understand human-environment-society interactions. IR3S began, in April 2005, a 5-year project funded by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) of Japan. IR3S mission is to develop sustainability science by promoting activities in three areas: research, education, and cooperation with industry to sustainable development. This mission requires a trans-disciplinary approach in education programs and focus on practical training on sustainability issues. Also, given that large areas of research dealing with sustainability, IR3S keep in mind that networking between participating universities is essential to meet these requirements, and is also a means to maximize the capacity of universities for EDS.

IR3S recognizes sustainability science as an academic field that indicates the path to understanding various issues related to sustainability in a global way and propose visions and methods for developing a sustainable society [2].

Tokyo University

The University of Tokyo began in 2007 a Program Sustainability Degree in Science (GPSS) offering a master's degree in sustainability science. GPSS Curriculum consists of: (1) orientation courses - knowledge and concepts, covering topics related to sustainability in terms of holistic, (2) courses and experiential learning practical skills training to acquire skills and sensitivity needed for leaders and (3) Master's thesis, to which students are encouraged to address the complex issues of sustainability through a transdisciplinary approach. Sustainability science is seen as an area characterized by academic core principles including holistic thinking, transdisciplinarity and respect for diversity. GPSS was designed so that students can acquire the ability to understand and practice these principles. (Onuki & Mino, 2009)

Osaka University

In April 2008, RISS has launched a new program at Osaka University IR3S as a pilot project IR3S order to help promote a new academic discipline - the science of sustainability. At the University of Osaka, RISS offers a minor in science sustainability training, are required to complete eight credits of discipline study. Any student who has accumulated eight credits is eligible to enrol in the program at the University of Osaka. IR3S-Osaka University objectives are to prepare students:

- understand the interactions between global systems, social and human, complex mechanisms that lead to degradation of these systems, and concomitant risks to human welfare and security;
- be able to suggest visions and methods for protecting and / or restore these systems and links.

The American model

In the U.S., the Centre for Sustainable Engineering (Centre for Sustainable Engineering) a consortium of Arizona State University, University of Texas at Austin, Carnegie Mellon University in Pittsburgh and was made a study and analysis of engineering curricula content EDS. Graham Institute for Environment and Sustainable Development (GESI) was established at the University of Michigan in 2006 to promote educational initiatives related to environment sustainability. In 2006-2010 more than 680 academic institutions have responded to the call American Presidents of Colleges and American

university climate by greening their activities and setting goals to reduce emissions of greenhouse gases [12].

Conclusions

Assuming that "property is not right to do what you want with what you have, but the right to decide freely the use of resources under the condition that it shall not prejudice the rights of others", Lepage states that "any threat tantamount to aggression because it pollutes, deprives others of the joy it gives you the free use of property rights." Direct negative impact of pollution human health concerns. Because not all pollute and the effects of pollution are borne in large measure to the poor, the problem of land enter into discussions on ethics. Equality of opportunity is thus equal to enjoy the beauty and gifts of nature. If human life is a resource that can not be stored, what is to blame an individual who is born and lives in a city polluted by other individuals who pursue their profit interests? His right to enjoy life in full health is affected. Not to mention the perverse effects of how the fruits of growth are distributed. "Everyone in this plant, says Sachs have the right to eat when they are hungry, provide food for their children to prevent brain malformations, a roof to live under decent, to protect against the disease manageable in relation to state knowledge, access to "education".

To what extent these rights are achieved and how this contribution into each individual to work for economic growth is another issue that does not find the analysis here. Here, now, that pollution affects health care and consequently the ability to work with all the negative consequences arising from this, including those regarding the ability to enjoy adequate housing or access to education.

Second, environmental pollution is a bad product. To them know it makes sense to know what is lost through pollution. In other words, it is good to know what your environment that makes life in general is. However, from this point of view, the environment was reduced to ambient conditions and the functions of Auto-wells are more generous.

Punctual speaking environment means:

- beautiful landscape and recreational environment;
- clean air and water;
- investment opportunities with positive effects on GDP growth and the creation of jobs;
- Suppliers of raw materials, energy, etc.;
- capacity of absorption and recycling of waste;
- protection of life in the forests and river basins;
- source of oxygen and ozone, etc.

If we consider all these functions, or directly benefit individuals or indirect (By supporting business processes) the issue of environmental conservation and sustainable development gain in objectivity.

Third, pollution is a specific phenomenon, mostly measurable. Anti-pollution measures are not reaching their target and the phenomenon is not known in its true size and multitude of forms. From this perspective, the literature, very generous, highlights the complexity of pollutants, the causes and effects of life domains or spheres of economic activity. It can thus speak of pollution arising from industrial development or food model practiced, the consumption of fossil energy resources or massive cutting of forests, in the discharge of manure from livestock drinking water or normal water industry, the ruthless overexploitation of their untapped resources or lack of funds, etc.

The fourth, it should be noted and that in itself is not opposed to development environment and so not be paid any tribute to pollution by the development. Underdevelopment, ignorance of people, their way of thinking and action, etc. can be as many causes of environmental damage and life in general, as the development, created by the financial resources, can provide the source establishment and support of anti-pollution means and measures. In other words, if we take appropriate measures, economic development can coexist with maintaining environmental quality.

Environmental education is education for sustainable development and sustainable development and empowerment is action against pollution and resource depletion.

Pollution is a specific phenomenon, durable, and, mostly, measurable. Anti-pollution measures not reach their target phenomenon is not known if it's true size and the multitude of forms. From this perspective, Education for Sustainable Development is moving towards a holistic approach to science - technology - economy - environment - society and even to a new science - the science of sustainability [15].

Sustainability science is a developing discipline that seeks to understand the interactions between global systems, social and human, complex mechanisms leading to degradation of these systems, and concomitant risks to human welfare and security. It also aims to provide vision and methodology that will lead to restoration of these systems. A particular challenge is to transform the education system and its processes to make this possible. The goal of Education for Sustainable Development is to equip young generation with leadership skills, management capabilities and extensive knowledge needed to create new systems that can lead to global sustainability. Initiatives for EDS taking place in universities around the world can and should contribute to a new development - sustainable development.

The decade for Sustainable Education is an opportunity for science and education to make better music. We talk and excellence in education for sustainable development. Individual learning, organizational and societal learning is necessary to achieve sustainable development. Responsible learning creates a climate of improvement and innovation. To adapt to rapid change is needed more flexibility to the universities. Knowing the values of sustainable development guidelines is an integral part of excellence in learning process.

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The Dimensions of Social Policy as an Element of Corporate Social Responsibility Management

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Abstract: *In modern economies, an essential feature of the economic framework of activity becomes its oriented character and unquestionable value - the sustainable development as complex and versatile concept. In this context, socially responsible behaviour is liable to act at the interference of the human-economic– environmental dimension as trilateral unit of sustainable development, bringing benefits to different stakeholders, on a micro- and macroeconomic level. Such behaviour is especially beneficial for volatile growth of economies or those that faced economic and social imbalances, where enterprises with elements of CSR in management activity, come to cover a range of important needs of society, from various inefficient satisfied reasons by the public decider. This article examines some experiences occurred in Moldova, which try to become a truly modern and multicultural society, with competitive economic agents, that operate in a fairly competitive environment of business and promote sustainable development as a fundamental multidimensional value of their economic behaviour.*

Keywords: *economic agent, socially responsible behaviour, economic policy, management, CSR and culture*

Introduction

This article examines the concept of socially responsible behaviour of economic agents and some experiences in the Republic of Moldova, which is trying to become a true multicultural and modern society, with competitive businesses, that works in a loyal competitive business environment and which promotes the sustainable development as a fundamental multidimensional value of their economic behaviour.

Main theses

Modern economies, regardless of the development model adopted, have as an important feature a pronounced socially oriented character, which manifests itself in multiple aspects of socio-economic life. And, in the current conditions of development of the globalized world economy, in which the need for efficient use of resources is felt more and more, an undeniable value becomes the sustainable development as a complex and polyvalent concept. Thereby, in such environment is very important that all stakeholders – being consumers or producers – are aware of the role of each link in the decision chain.

In this context, socially responsible behaviour of the enterprises as actors with specific functions of national economy is liable to act at the interference of the human-economic– environmental dimension as trilateral unit of sustainable development. And it is precisely that, although apparently it comes into contradiction with the desideratum of maximum profits obtaining, it not only diminishes it, but creates conducive conditions for its growth.

But, the concept of socially responsible behaviour of the enterprise (Corporate Social Responsibility) is a recently and relative one, developed especially in the U.S.A in the 1980s of the 20th century. However, its origins are descended from the beginning of 1930s 20th century, when some researchers

initiate discussions on changing the role of corporations in the modern society: “The corporations have stopped being simply legal instruments through which commercial transactions and the private businesses were done. Although an exaggerated effort is dedicated to this purpose, the Corporation has acquired a higher or wider significance. Thus, the corporation in real life has become both: a method of exercising of the property, and a mean of organizing economic life. Reaching unprecedented proportions, we can tell that it has emerged and evolved a Corporation - system, which drew a mixture of attributes and powers, reaching a level of prominence that entitles it to be viewed as a primary social institution”.

Afterwards, in 1953, Howard Rothman Bowen, in his paper “Social Responsibilities of the Businessman”, attracts the attention of businessmen at a number of important values of society, requiring be supported and promoted in the business.

The concept received amplexness in the 21st century, turning it into a genuine motivation for economic agents, trained in healthy competition and bringing benefits to the different social actors, at micro- and macroeconomic level. A successful defining, from our point of view, of responsible behaviour would be “initiatives through which a company is improving, voluntarily, the mode of operation, so as to contribute to the community well-being and to protect the environment”.

In this definition a special emphasis is given to the voluntary nature of CSR, namely the one which company promotes without pressure from the authorities, nongovernmental organizations or consumer. Simultaneously, the role of the public decider may boost the socially responsible behaviour of economic agents by motivation, for example through incentives - mechanisms of fiscal and/or crediting policy etc. Besides, regardless of the motivation that it triggered, CSR practices bring inevitable and beneficial contribution to the company image. And, therefore, consumers are those who “appreciate” and “vote” economic agents who manifest a positive and socially-oriented behaviour on the market. And, on the contrary, consumers “penalize” the economic agents with “negative image”, namely those that are untargeted to the concrete needs of society.

In our opinion, in general, **socially responsible entrepreneurial behaviour constitutes a partial and willing transfer of well-being from producers (enterprises) to consumers (households), confronted with certain problems in their ability to lead a decent existence.**

In the specialized literature it is mentioned that in the international practice, the companies can operate the social responsible practices mainly in areas like - figure 1:

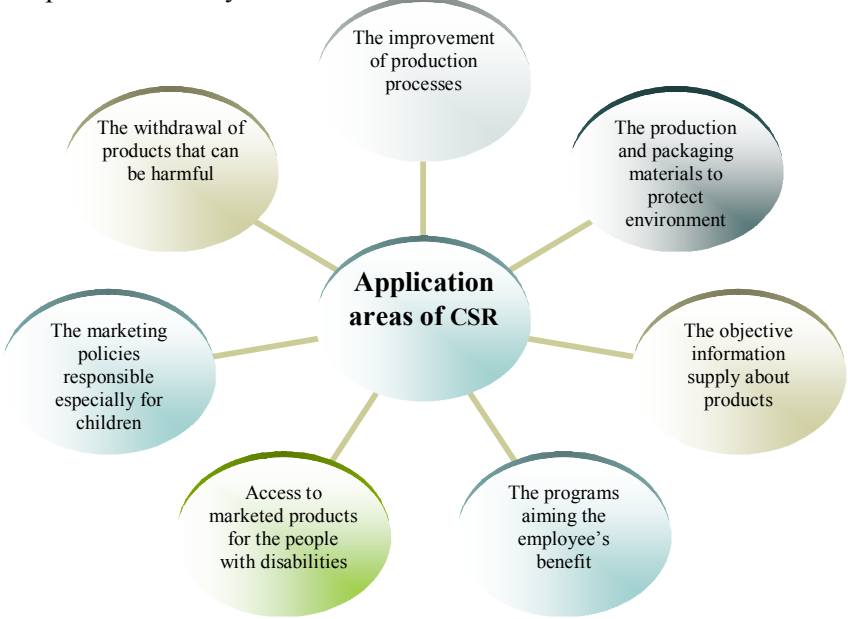


Fig. 1: Application areas of the social responsible practices in the company

Undoubtedly, in reality, the spectrum of such events is more extended and concretely targeted to the needs of a national economy in which they operate. Even in the case of large corporations, they quickly adapt their policies to the internal aspects of the countries where they place their subsidiaries.

Currently, the social responsibility is an integral part of the modern business and is specific for companies of the Republic of Moldova. Thus, principles of social responsibility are a constituent part of brands of about 60 member companies of the Global Compact Network developing and launching them on the market and promoting a socially responsible management. Through its initiatives of corporate social responsibility, companies contribute to the promotion and compliance guarantee of the 10 principles of the Global Pact on human rights, their labour standards, environment and fight against corruption. They are based on a range of social obligations that they have towards society as a whole – figure 2:

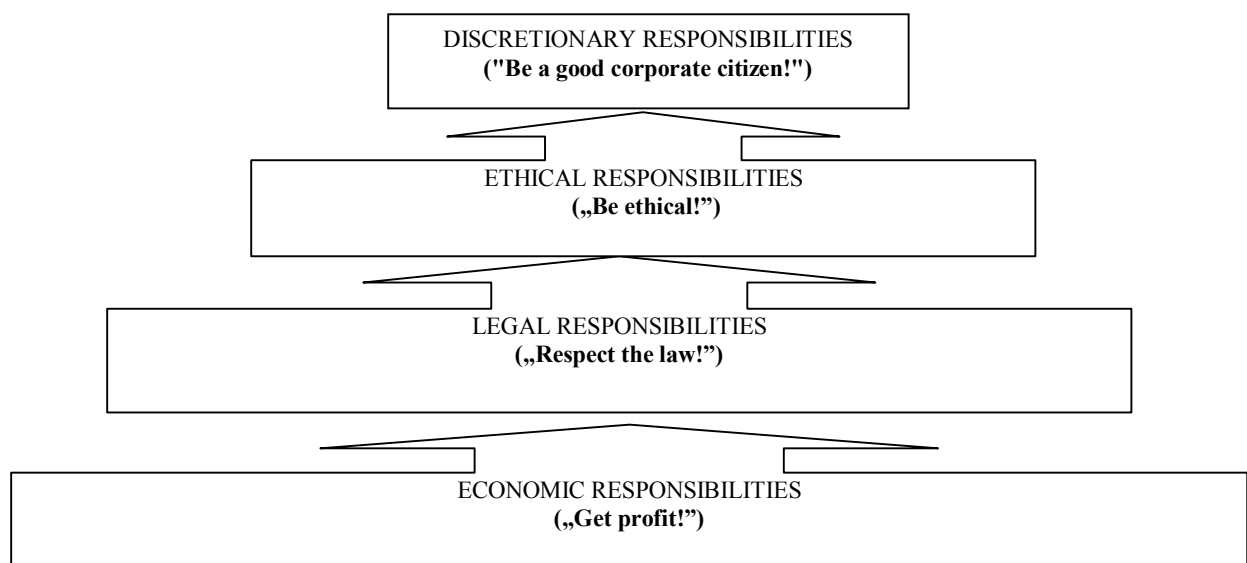


Fig.2: Corporate social responsibilities pyramid

Source: elaborated by the authors on the basis of *Etică și responsabilitate socială corporativă în afacerile internaționale*” (suport de curs), autori Filip R., Iamandi I., ASE, București, 2008, p. 137-139

A socially responsible behaviour is more beneficial in economies with the low level of development or facing social and economic imbalances. It is the case of Republic of Moldova which, although permanently confirms its pro-European orientation, it faces multiple problems – economic and social – in its path to build a sustainable and functional market economy as a precondition for accession to the European Union. Obviously, in the sense of immediate social benefits for the population, that the path to the advanced national economy may be neither easy, nor very fast.

Thus, the Republic of Moldova, although recorded economic growth in 2010, remains the poorest country of the European continent, with an monthly average salary of 181 Euros and a poverty rate of 21,9%, according to data for the year 2010 given by the Statistical National Bureau of the Republic of Moldova. As a result of these economic realities, serious issues appear and are manifested, in which the enterprises with CSR elements in managerial activity, come to cover a number of society’s important needs, for various reasons inefficiently satisfied by the public decider.

Next, we will mention some specific areas for Republic of Moldova, in which the responsible enterprises come to make contribution to resolving the difficult situations.

One of the most acute problems, as a result of the persistent economic decline, is the phenomenon of labour emigration and, more recently – brain drain from the country, which appeared about one decade

ago and continues to take amplex. According to informal assessments, about one million people left the country in searching of a decent work and income.

In the social plan, a direct consequence of this process has particularly acute repercussions on the youth generation. Thus, an important number of children remain without parental guardianship, though they have parents alive and able to work, which get relatively big incomes abroad and send home the remittances. According to some estimation every fifth child in the country grows in the absence of at least one of the parents. In created conditions, though it is peace, the number of institutionalised children is constantly growing. And the State, with the low means at its disposal, cannot ensure an adequate development for these children. Maybe that is why, in the Republic of Moldova, namely on this segment of the population is often directed the attention of the economic agents with elements of social responsible activity, which try by various actions to compensate parental care for those deprived of it, attempting to supplement the existing deficit of physical attention, but perhaps even more important, human. The aid granted is very diverse and often reflects the field of activity of the economic agent: gifts for holidays, procurement of household equipment and goods, organization of excursions, medical assistance, etc.

At the same time, not just the children need the support. Another important segment of the population is today in conditions below the level of decency. Thus, we mention people of the third age or disabled and especially those from asylums for elderly and for nursing homes for persons with disabilities. And in these cases the economic agents bring their contribution to the support of the concerned institutions.

Often these activities are organized jointly by the enterprises with the civil society involvement, with the support from mass-media agents, thereby is raising the public opinion vis-à-vis of the existence of some painful points in society.

Likewise, an important issue for our society is the quality and accessibility of health services. As in any free economy, in recent years private firms have rapidly multiplied, being well - equipped and which offer health services at a competitive level with the world. But the majority of the population is not able to benefit of them, because of the costs such close to world level. In these circumstances, a goal for firms with social responsibility activity becomes the contribution to the endowment of the medical centres with the performing and very expensive equipment.

In supporting to make accessible the quality health care services for people come also the insurance companies that offer additional insurance packages for so its employees as for others that need them.

Socially responsible behaviour of economic agents is manifested in the context of the concept of sustainable development, because it attempts to promote activities which take into account the need for preservation of the environment. For the Republic of Moldova this problem is very important, considering that it has a relatively high density of population (107 pers. per sq. km) and, respectively, a high concentration of economic activity on its territory¹. In this situation, the economic activity with the protection of the environment, but also activities for improvement of it with afforestation or land improvement are very welcome for the national area and it constitutes a domain with work reserves for domestic enterprises.

Meanwhile, the social support by enterprises is manifests not only on the external dimension, but also in the firm's internal environment. Thus, there become more practicable health programs for employees, the medical insurance paid by the company, the services that are tangent with those like fitness, shaping etc. Besides, become increasingly popular the collective activities that are sponsored by the companies – celebrating important data, the traditional holidays, company's jubilees, advanced results of activity etc. All these activities have beneficial effects for the collective strengthening,

¹ An example of the problem's stringency is the reality that in the whole country there is no waste processing factory.

giving trust and attachment of the employees towards the company. And directly for company benefits are reflected in increasing stability and loyalty of staff.

Also, there are still many spheres, where the activity of social responsibility of firms keeps improving in the near future. Thus, already was mentioned the emigration issues in significant, which is a result of deficit of suitable job (as the field of training, remuneration etc.). If these people wouldn't emigrate, they would fill the ranks of the unemployment in the national economy of the Republic of Moldova. Although emigration extends the unemployment issue, the unemployment rate is rising and in 2010 was 7.4%, 1.0 pp more than in the previous year. Besides, the employment of this population segment is extremely difficult (because of the experience already gained, age, initial training and others features). More than that, in the international experience, there are sufficient "best practices" of enrolment of the unemployed - in place of some persons maybe better qualified, in order to contribute to the social objective of reducing unemployment and poverty.

Although, all relied examples on socially responsible corporate behaviour are important, there is one less elucidated aspect of the CSR issues. We refer to that: such behaviour is a significant feature of modern business culture and like any culture it needs to be more approached. In this sense, university environment, namely the environment which is forming modern specialists for a modern economy, in the process of managers' training, it would be opportune to pay more attention to cultivating the spirit of socially responsible management of the company.

As a result, we find that, currently, there is no enough strong image of CSR in the university environment. We reached to this conclusion thanks to sociological survey, entitled "Perceptions of corporate social responsibility", which the authors have organized in Cooperative-Commercial University of Moldova, among 100 graduate students. Thus, approximately every third student did not know what socially responsible business behaviour is. A dilemma was also discovered: it is necessary to materialize that it was not known what namely in the modern management the specific concept of "socially responsible business behaviour" means. And when there were presented examples of actions that show such behaviour, everyone had heard of it and often even was the subject of it. It neither was discussed the need for such behaviour of the company, every young person being aware of his opportunity. There is another aspect of the problem and we tried to show the many manifestations of CSR in figure 1 of this article, but on the existing level of economic and social development in Republic of Moldova, the application areas of CSR are relatively limited. Thus, firms orient their CSR programs to solve some acute issues and with the major resonance in society. Also, at present, the public perception of CSR is often limited to such specific problems which are facing society: this fact is also confirmed by our survey among university graduates of the specialty "Management".

In this context, respondents were asked to prioritize (from 10 proposed) the spheres of action in CSR activities - table 1.

Table 1

The areas of corporate social responsibility, mentioned in the survey

	Priority areas of CSR	Share of respondents preferences, %	Rating (preference position)
1	children from poor families	14.8	IV
2	children from orphanages	33.3	I
3	elderly and disabled from nursing homes	16.1	III
4	hospital equipment	18.5	II
5	cultural activities (concerts, exhibitions, etc.).	1.2	VII
6	environment protection	11.1	V
7	programs for company's employees	1.0	VIII
8	organic production	4.0	VI
9	stipends for students	0.0	-
10	improvement of production processes and promotion	0.0	-

Source: Elaborated by the authors on the base of the mentioned survey.

As a result, the data of Table 1 that reflect the survey results show that the respondents give preference to socially oriented activities against of the productive orientation. Thus, in the rating of manifestation spheres of CSR, on the first position, every third respondent (33.3%) had situated the “children from orphanages”; on the second position - the “hospital equipment” orientation with 18.5% and on the third position - people from nursing homes (16.1%). It is also welcomed the fact that the “environmental” and “organic production” options are located priority to the variant of “cultural activities”.

A minor interest had the options “programs for company’s employees” and “stipends for students”, possibly because the graduates are not tempted by stipends, on the one hand. On the other hand, they still do not know what would be the benefits which they can get, acting in a firm with the socially responsible corporate management. We also believe that the ignorance of the potential employer and of the specific yielded production, the future young specialists have not chosen to invest in improving the production processes and promotion of goods, although the variant of “ecological production” incited, possibly through the need of a sustainable development, understood to everyone.

Overall, the survey results showed that regardless of the grouping criteria of the respondents according to their responses, CSR priority option must be the children from orphanages. Likewise, the survey made possible to understand two major aspects:

- The concept of socially responsible corporate behaviour is not sufficiently well known among the young future managers;
- In order to disseminate best practices it is necessary to cultivate the culture of CSR.

The culture requires familiarization and training, because it is not a commodity that can naturally be achieved: the reality that can be initiated as a part of the university training. In this context, we consider mandatory to introduce on the first university cycle in the curriculum (License, on the specialty “Management”) the issues of socially responsible behaviour as a thematic component of the subject areas. And, at the second stage of university studies – Master, in the variant of optional subjects, it should be disciplines based on this issue, such as “Corporate Social Responsibility” / “The fundamentals of socially responsible management”. Such treatment of this problem would allow the early initiation of future specialists with the latest trends in management and connection to the modern system of cultural values of business.

Conclusions

The experience of enterprises to organize their economic activities with elements of social responsibility is increasingly prevalent in contemporary economy. In the Republic of Moldova, it became in "vogue" especially once with the liberalization of the national economy and with the entry on domestic market of some large transnational enterprises with good practices in this area. Such activities come to contribute to solving stringent social problems at national level, in particular in the sense of the incidence of poverty. Although the behaviour of the socially responsible companies in the Republic of Moldova is increasing, there are reserves and areas that are not covered by their attention. In this context, the state policies can contribute to the development of a socially responsible corporate behaviour through the dissemination of good practices, which contribute to increasing the level of social security, including less-favoured strata of the population. Finally, it is also necessary the mediatization of socially responsible behaviour in the environment of the young generation, especially in the university, in the training process of incoming modern specialists in the management domain for the national economy.

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Proposal for Organizing and Conduct Activities in Analysis Organizational Culture

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Abstract: *The organization culture represents a management theme which always brings new and interesting aspects in the attention of specialists. The human resources from organizations come from different social environments, with their ideas, feelings and personal attitudes which are shared with others, enriched or replaced in the collectives. From these combinations result beliefs, values and behaviours that are leading to implement the rules for shaping the organizations culture.*

In an organization occurs simultaneously, without being strictly delimited, three types of cultures: corporative culture, organizational culture and managerial culture.

It is known the fact that there is a relationship between the organization culture and the obtaining competitive advantage on the market and, at the same time, the knowledge of these culture elements is necessary in applying the modern management.

It is very important that the organizations know and understand their own culture as it can help them render their activity efficient. Thus, it has been discussed lately about the culture analysis (culture audit).

Keywords: *organization culture, organizational culture, corporative culture, managerial culture*

Introduction

There are different definitions of the organization culture in the field literature, but it depends on how it is approached. These definitions do not contradict each other, but complement.

Because the organization is an open system, self-generative, regenerative, composed of three levels (corporative, organizational and managerial), it can be stated as in any organization there are at least three types of cultures, manifesting simultaneously: the corporate culture, the organisational culture and the managerial culture. [1, p. 17-21]

These three components of an organisation culture (organisational, corporate and managerial) appear simultaneously and are not strictly delimited; even more, they are interdependent at the organisation level.

The corporate culture is perceived by means of the organisation's tangible assets: dimension and architecture of buildings, interior decorations (offices, production areas, halls etc.), exterior arrangements (alleys, parks, gardens, parking etc.), furniture, equipment, technological installations in the organisation, the range of offered products/services, promotional articles (presentation catalogues, monographs, calendars etc.), pennants, flags, logo, banners, acronym, staff's clothes etc. Each of tangible assets listed above, send a cultural message that emphasizes the peculiarities of professional activities.

The organisational culture is rendered by visible elements related to the people's behaviours, events (rituals, ceremonies, taboos) and their verbal products (myths, tales, legends of the organisation's history transmitted most of the time orally, from generation to generation), as well as through non-visible spiritual elements of the human resources who have execution position in organization (beliefs, values, ethical and moral behaviour norms).

The managerial culture appears in the beliefs, system of values, behaviours and expectations of the management team members and is reflected in the practiced management styles, having a decisive role on the organisation performances and success in business environment. [4, p. 421] The managerial culture is influenced especially by the top managers' personality. The particularities of the managerial culture of an organisation are part of the management style; business ethics; the attitude towards risks, competition, clients, employees, shareholders; the activity field of the organisation (products, services and markets) and own organization image [3, p. 84-85].

With the development of society, it appears inevitable changes and continuous adaptations of the organization culture. These realities bring new perspectives to the attention of leaders, which require changes in the employee training processes in order to fulfil the mission and objectives assumed by managers towards the owners of firms.

The organizations must know and understand their own culture because it can help them render their activity efficient. Thus, it has been discussed lately about the culture analysis (culture audit).

1. Steps involved in studying and analyzing the culture of organizations

The analyzing of organization culture can be done following several steps:

- analysis preparation;
- theoretical study of cultural models, theoretical study of management styles and ethics levels in business, the types of management;
- collecting information about the organization culture;
- identifying of theoretical cultural models who can be associate with the real situations from organization, identification of management theoretical styles, identification of moral level, identification of management type (moral or immoral);
- preparing the report of analysing the culture organization;
- exploitation the information and data from analysis report in the managerial process of organization.

The analysis preparation is made by elaboration a services offering for the organization that will benefit by the culture evaluation and signing an official agreement for providing services, with mention the activities of exploration and collection the necessary data and information. By the Agreement is formalizing the right of people involved to investigate, both within the organization and its external environment. [2, p. 4-9]

The study of theoretical cultural models and management styles is made for identification some real data and information from organization. Also, is made the study of business ethics level determined by the managerial culture and management type (moral and immoral) existing in organization.

Collecting information and data about the organization culture is made using surveys, individual interviews, visiting the institution/firm and studying the specific documents.

The survey is made using the questionnaire. The questionnaire is an exploratory tool that can be adapted for the organization that is subject of the study. It is recommended it not to be boring, to contain both closed and open questions. It is preferable to not exceeded ten pages and completing it must not take more than 30 minutes.

Within the organizations with less than 100 employees is recommended to make a written survey for all employees; within the organizations with more than 100 employees it is recommended to make a written survey for a representative sample. For the outcome analysis be accurate, the questionnaires will be completed by suppliers, customers, partners, stakeholders too. Usually, these questionnaires are anonymous. The questionnaire should include, at the beginning, a phrase that invite and motivate the respondents to complete it, to answer sincerely (for example: Completing this questionnaire, you will help us make a study case, We need your help). At the end of questionnaire, it is indicating to include a phrase to thank (for example: Thank you for your time, We will communicate you our findings).

Towards the end of the questionnaire, it must be including a series of questions about age of work, age in organization (for employees), about the period of collaboration with the organization (for clients, suppliers, partners), the position in organization, age, sex, civil status, studies. It must to prepared different questionnaires for the positions of the hierarchical structure of organization. The questions will also be different for people who are not the employees of the organization.

The individual interviews are done on a representative sample of employees at all hierarchical levels. The interviewer must be open inspire trust, ask the right questions and have patience to listen the answers. The interviewers must also observe mimics, interviewee's gestures and language.

Is well that the duration of the interview not exceed one hour; for the organizations with less than 100 employees it can be organized ten interviews, for the organizations with more than 100 employees there can be approximately thirty interviews. The first questions refer to the interviewed person: age, age in organization, position in the organization, civil status and others like these. Then there can be addressed questions about the organization culture and provocative ones (the relations between the interviewed and management/subalterns/colleagues, why working in that organization, if he/she thinks or not to change job, emotional connection between employee and organization, ambitions, objectives, sanctions and penalties, irregularities, norms, values and others.

The clients also can be interrogated, suppliers and, in general, all persons who are involved or interested about the organization activities. Persons involved in management will be addressed questions about ethics in business, attitude towards risk and competition, motivations, goals, personal strategies, organization strategies too.

Visit the beneficiary organization and direct collection of data and supplementary information from inside. The first opinions with give us information about organization culture, for example: tangible assets of the organization (the architectural style and the condition of buildings, predominant colour or colours, microclimate of production and offices areas, employees working equipments, pictures and exposed panels, models of car from organization parking, geographical location, the presence of art objects, the floral aspect, the areas for leisure and recreation, employee clothing etc.); visible elements about human behaviour (friendliness, politeness, mimics, gestures, language used in organization etc.). Then follow many monitoring process, each with a well-definite objective. This activity is based on observation. The observation should be present at each visit in the organization.

The study of specific documents. The provider of culture analysis may require access to a series of documents from the beneficiary organization that could help in his/her work. The documents could be written but also audio-video ones. They gives information about:

- organization history (organization statute, monograph, publications, press articles, photos from events occurring in the organization, audio or videos CD with moments from the past, annual reports, albums, catalogues etc.);
- rules applied inside the organization (Rules for organizing and functioning, other procedures, organization chart, data on the remuneration policy for employees, professional trading opportunities and promotion, management style applied, the collective labour agreement, information about the relationship between employers and unions, general conditions for employment recruitment and selection, care given to integrate and continuous development of employees);
- the current state of the organization (press articles, presentation brochures, important events, the financial situation, number of employees – by age, sex, position in the organization, age in work, age in organization, market position, mission and objectives, attitude to risk and competition, current top managers personality, attitude towards work, honour, honesty, correctness, relationship between top managers and employees/clients, shareholders, suppliers, banking units etc.).

The identification of real cultural models and management styles is done by a comparative analysis. Based on the criteria for defining theoretical models, they systematise the information collected and

draw up a comparison with standard description. They also can nominate trends of real models with theoretical models. The same applies in the case of identifying specific management style. Then, there follows the identification of the stage of moral development of organization and the type of management (moral or immoral) depending on how the managers define their position on ethical norms, law, community, motivation and strategies.

The elaboration of the report of analysis of the organization culture is the stage by which specialist activity is completed and is reflected in a similar document like an audit reports. This document contains an introduction part and many chapters on the conduct work stage described previously. The last part refers to the trends which manifest inside the organization and formulate opinions about possibilities to improve the work processes, processing and management, in order to produce the appropriate changes.

The valorisation of the data and of the information is the stage at which the management adopts and applies decision for improving the general social and cultural climate inside the system of the organization. Thus, it aims a correlation between performance of the company/institution and theoretical positive cultural model, increasing the degree of support the strong cultural model, encourages the creativity and the innovation by promoting network and cluster models etc. The complete valorisation occurs when net superior results are recorded in terms of efficiency and effectiveness of processes which take place in the company/institution. These changes are not produced immediately, but trends can be remarked in quarterly, biannual or annual cycles. Similarly, is aimed the correlation between the attitudes towards the responsibility, authority, decision, interest to people, result and efficiency and the implementation the best management style. Also, is aim to promote a balance between ethics and profit, respect for laws and ethical norms to practice a moral management.

The steps describe above apply when there is an analysis culture of a single organisation. For simultaneous analyses of several organizations culture it is recommended to use a questionnaire like the one that we present bellow.

2. Questionnaire in order to identify cultural particularities of the organizations

Completing this questionnaire you will help to making a study case. So, you will form a better view on the working climate of your organization and opportunities for improvement it. The findings will help your organization to valorise the data and the information for promoting the best managerial style and the suitable cultural model.

QUESTIONNAIRE

1. What is your age?

- under 30 years old between 30 and 40 years old between 40 and 50 years old
 more than 50 years old

2. Your sex:

- Female Male

3. Which is your work experience?

- under one years between one and 3 years between 3 and 10 years
 between 10 and 20 years more then 20 years

4. For how long have you worked in your current organization?

- under one years between one and 3 years between 3 and 10 years
 between 10 and 20 years more then 20 years

5. You have a position of:

- top management middle management executive position

6. Ownership type of your organization:
 public organization semi-public organization private organization I do not know

7. According to the establishment and type of organization, your organization is:
 autonomous administration company non-profit organization I do not know

8. If it is a company, what kind of type of organization?

 I do not know

9. Is an organization:
 national
 international, joint-venture (created by capital participation in different proportions of individuals or legal entities of two or more countries)
 multinational (patrimony belongs to an international economic group whose subunits or divisions operating in two or more countries)
 I do not know

10. It is an organization with an experience:
 under 5 years between 5 and 15 years more than 15 years I do not know

11. Do you know the significance of the organization culture term?
 Yes No I am not sure

12. Do you think that the organization culture influence the perception of partners (clients, suppliers, banks, public institutions, society)?
 Yes No

13. If you say yes at the question number 12, give marks for 1 to 4, according to the influence of following elements of organization (1 – no influence, 2 – low impact, 3 – medium influence, 4 – high impact):

- Buildings, furniture, decor
- Promotional objects
- The products or the services offered
- Organization logo
- Rituals and ceremonies
- The managers of organization
- Prospects and the opportunities offered for employees and customers
- The founders of the organization
- Others

14. If you say no to question number 12, choose the variants that have determined you to do so:
 The organizational culture does not help to attract and retain customers
 Important is that the organization attract more customers, even though the clients know something about it
 Is not interesting who were the founders of the organization or who are the managers and how each of these influenced the performances
Others

15. Which are the elements of your organization; from the list bellow, which managers should be given more importance in the near future? (give marks for 1 to 4: 1 – should not be given importance, 2 – low importance, 3 – should be given importance, 4 – high importance)

- The popularity and reputation of the founders
- The popularity and reputation of the managers
- Symbols estate (buildings, offices, parking etc.)

- Technical symbols (facilities)
- Order, cleanliness and appearance of interior and exterior spaces
- Site of organization
- Advertising through various ways (TV, radio, flyers, brochures, etc.)
- Appearances in mass media
- Rituals and ceremonies organized by the institution / company
- Stories and legends about the organization
- Beliefs and values reflected in the behaviour of the organization members
- Respect for the law
- Knowing and compliance the rules and norms of the organization
- Basic concepts of organization managers
- The facilities offered for employees by the organization
- Respect for partners (customers, consumers, suppliers, banks, public institutions, etc..)

16. Mark the statements that apply to your organization:

- I am willing to say my opinion in a official mode, because I'm encouraged by what happens in the organization
- My family is satisfied with my professional achievements in the organization
- I have the freedom to implement my ideas
- Into organization, I feel like in a big family
- I'm not afraid to express my disagreement with colleagues
- My relationships with colleagues are good
- The managers are receptive to the proposals made by the organization members
- I appreciate my colleagues' work
- I am supported by my colleagues to improve (professional)
- My colleagues make only what they say
- My relationships with managers are good
- My managers make only what they say
- I prefer precise instructions instead of taking personal risk

17. Psychologically, change can cause confusion and uncertainty for employees of organization. How do you think they can be helped to overcome these problems? Give marks from 1 to 4 (1 – unimportant; 2 – less important; 3 – important; 4 – very important):

- Open and clear internal communication
- Employees need to know the risks and benefits of change
- Employees should be encouraged to express their feelings towards change
- Meetings between managers and subordinates to discuss the problems would be encountered during the process of change
- Others

18. Choose the variants that are found in the climate of your organization:

- Positive attitude at all hierarchical levels
- The success is given to all employees
- There are difficulties in communication between departments
- We say what we think and we do what we say
- We share success and we do not let anyone (of us) suffer alone a defeat
- We work in team

19. Choose the variants that are adequate for your organization:

- We define together a plan and then each act as they wish
- The Rules of organizing and functioning, The Rules of procedure are known by all employees since the employment
- The employees are involved in decision making process
- Rather than "organization" we say "family"
- The employees have sufficient flexibility to access at the different hierarchical level

- The employees learn continuously, they are sent to training, professional development courses etc.
- Each employee knows well his responsibilities (has a job description)
- The management attaches importance for the individual wishes of employees
- The organization is concerned about managing programs and career planning

20. In the case of performance evaluation (monthly, biannual, annual, etc.) which of following elements are taken into consideration (you can select multiple options):

- Specialist knowledge
- Punctuality
- Responsibility
- Ability to solve problems quickly
- Capacity for innovation
- Adaptability
- Cooperation and collaboration capacity
- Level of involvement
- Contribution to creating a relaxed working atmosphere within the team
- Others

21. In your organization are apply following remark? (1 – yes, always; 2 – frequently; 3 - rarely; 4 – no, never)

- The organizational climate is rough and tough
- The jobs are taken according to the intellectual potential of each employee
- The personnel fluctuation is quite high
- Prevailing rituals of humiliation and differentiation
- The values and the norms are clear, expressed in writing, in formal and rigid form
- Promotion of employees is slow
- The organizational climate is relatively calm and protective for employees who not accept the competition
- The rituals for integration are frequently
- The common objectives have priority to the individual objectives
- There is autonomy in choosing how to perform the responsibilities
- The employees show indifference for the organization
- It is encouraged arrogance and bureaucracy
- The managers promotes conservatism and ignores any suggestion from employees

22. Do you know the contents of the Regulation on the Organization and Operation, available in your organization?

If yes, when you read it, under what circumstances, how you entered into possession of it?

If no, tell why?

23. Do you know the contents of the Internal Order Regulations, available in your organization?

If yes, when you read it, under what circumstances, how you entered into possession of it?

If no, tell why?

24. Which of the following statements apply to you? (1 – never; 2 – rarely; 3 - frequently; 4 – always)

- Your system of values corresponds with that of your organization
- You feel part of the organization
- The organization supports your professional development
- Sometimes you give up your principles for do what you are required from the organization
- You are encouraged by the managers and colleagues to say your opinions
- At work you are subjected to extremely high stress
- The colleagues are receptive to your ideas
- You have all necessary information, on the formal way
- You appreciate, positively, the work of managers

- Exist reluctant for the new employees
- You feel uncomfortable or embarrassed when you need to argue bosses
- You can make a career in another organization, you are not dependent of your organization
- You think to change your job in the near future
- The new employees are helped to integrate in your organization

25. Lately: 1 – the situation is worse; 2 - the situation remained as bad; 3 – the situation remained as good; 4 – the situation has improved:

- Time for my family
- Freedom to implement my ideas
- Level gain (money or other rewards)
- The relations with my colleagues
- Freedom to express my opinions
- Participation in decision making process
- The hierarchical position
- Support from my colleagues
- Organization climate

26. Do you know your organization's symbols?

Symbols	Yes	No	I do not think there is	Do not exist
Logo				
Specific colour				
Flag				
Promotional objects				
Others				
.....				

27. Do you like the climate from your organization?

- Yes. Why?
- No. What you want to change?

28. Your organization has developed and implemented a code of ethics?

- Yes. Do you know its contents? Yes No
- No
- I do not know

29. What is more important for people from your organization?

- To be like by manager or influent persons
- Finding new efficient solutions and new objectives
- To perform their duties in accordance with the rules and procedures set
- Take care which each other, maintaining a climate in which to feel good

30. What kind of person is considered a good employee in your organization?

- Loyal person, faithful to the influential and powerful persons
- Person with entrepreneurial spirit, imagination and courage
- Person who knows and respects the rules and procedures of the organization
- Person who want to do, who can do and take initiative, who is fighting for its innovation
- Person who is trusted, cooperative and good relation with others
- Person who is recruitment from during the studies and prepared to work
- Person who fulfil the duties, according to job description

31. Select the cultural values who are promoting in your organization:

- seriousness
- discipline
- fulfil responsibilities

- performance
- creativity
- participation
- involvement
- self-realization
- autonomy
- democracy
- equality
- punctuality
- sense of responsibility
- solidarity
- morality
- Others. Which?

32.

In your organization:	Never	Rarely	Often	Always
It gives diplomas and merit medals				
The personal success is mediated				
In some proportion, unsuccessful is tolerate				
The personal success is encourage				
The norms who leading the maintain the traditions are promoted				
The strict discipline is promote				
The proposals from subordinates are rejected				
The employees attend studies, training sessions (paid by the organization)				

Thank you!

We will communicate you our research result.

Conclusions

Knowledge, analysis and upgrading of the organization culture are indispensable both for managers and for each subordinate separately. Promoting strong, positive cultural models or models that are structured in matrix or cluster, adequate management styles, moral management, a system of values that promote a balance between ethics and profit ensure strategic orientation an unlimited period; maintain a social climate that allows the harmonization on the individual interests with those of the company / institution, also a change depending on market developments competitive environment factors.

We suggest specialists, experts in management and managers of organizations to apply this new product type: cultural audit. In future are possible completing quality standards of cultural models with specific, descriptive and evaluation norms. In some speciality works, is confising the term of analysis of organizational culture with cultural audit (the audit imply comparing concret data with standards, norms; until the appearance of these, we can't speak about the existance of cultural audit).

The questionnaire model that we presented in chapter 2, was applied in 40 romanian organizations. Some of our research results have already been published. [5, p. 109-117]

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Product Life Cycle Approach

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Abstract: *Product Life Cycle concept was used for the first time in economic theory by J. Dean in 1950, and this much facilitated the knowledge and evaluation of products on competitive markets.*

Viewed by marketing lens, any product should be considered in a strong link with a human need to be satisfied, i.e. with a certain demand determined by that represent that need in the market. That is why for a better understanding and knowledge of the PLC we should start with the demand cycle.

Any demand has an evolution, in function of the need it represents. Any demand has a birth, a growing period, attaining a maximum after which the decline appears (cleaning the place for another demand to appear). At the same time, for any product life cycle there may exist brand life cycles for different products.

Keywords: *marketing, life cycle, product, launch, growing, maturity, decline*

Introduction

The *product life cycle* notion [1, p. 28-36] may be defined keeping in mind the following hypothesis:

- a) The product has limited life duration.
- b) The product selling evolution knows different stages.
- c) At every stage the level of profits is different.
- d) Marketing strategies differ from a stage to another

By Product Life Cycle, I understand *the period of time passed from the birth of a product meant to satisfy a certain need (even an idea may be considered a product) and the moment when it comes out from the market.* In this interval, two sub-cycles may be defined.

- a) Innovational cycle which includes ground an applicative research. During this time there are prepared the premises for product birth and they will influence the next stages;
- b) Economic development which express the relationship between time and selling (in *commercial cycle*) or between time and profit from selling the product (in *profitability cycle*).

In order to be as clear as possible, I underline from the beginning that:

- 1) Product Life Cycle is not the same with the time when the product is under its owner disposal, just because this interval may last after its commercial death;
- 2) Product Life Cycle is not the same with the product group life cycle to whom the product is part of (some products from a group of products simply disappear while the other products from that group are in ascension). That is why it is necessary to separately monitor the Product Life Cycle and product group life cycle. Instead of groups we may speak about categories, classes, families or brands.

- 3) If we compare the stages of commercial life cycle and the profitability life cycle, we may observe, as a rule, that the two curves are not parallel, i.e. the two stages are non sinchronical. [2, p 405-414]

The product marketing is impossible to be realized without its life cycle. The Product Life Cycle is a very useful tool to:

- a) Forecast, especially in phenomenological extrapolation;
- b) Control and compare the firm performance due to a certain product in comparison with other products.
- c) The shape of the cycle is in function of selling or of profit.

Figure 1. **Stages**

In its classical form, as it results from Figure 1, the Product Life Cycle is composed from four stages: launch, growth, maturity and decline.

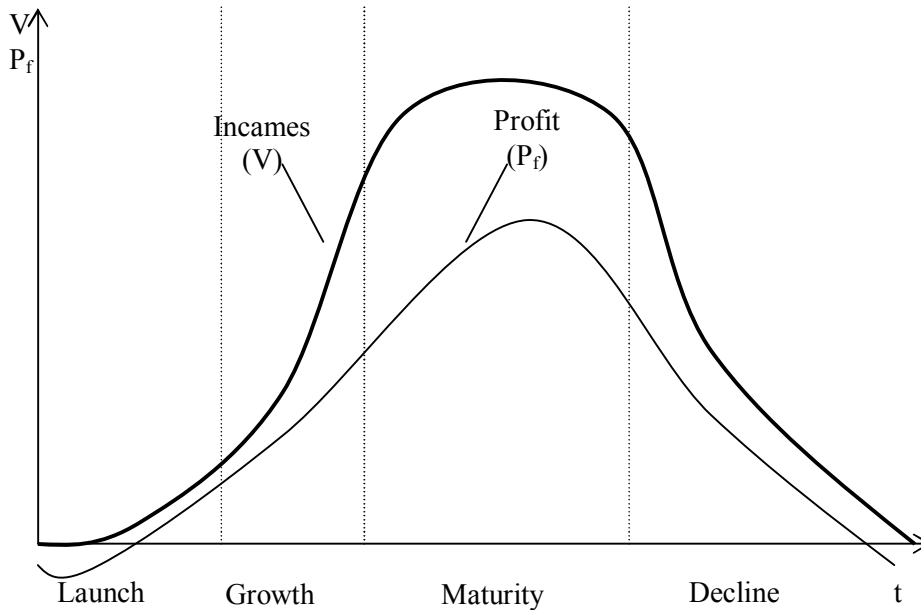


Figure 1. Product Life Cycle and its stages

Every stage is characterized by the four P of the marketing mix.

1.1 Launch

In order to improve the chances of success, launching of product on the market is to be done at the right time and space, after a specific preparation of the market. Launching require that the product (a new one) is relatively unknown to the potential clients and this explains the low volume of selling (immediately after the production process was started up). In this case, the profit curve may be under the abscissa axis (this means a *negative profit*) due to high production costs and low selling volume. This slow rhythm of selling growth could be explained by technical complex problems, by a specific resistance of consumers to changing selling behaviour, by a lack of distributors to accept to retail the new product. The promotion effort is at its peak (as a rule) when the product is launched just because the potential consumers need to be well informed about the new product, to stimulate them to buy it (at least to try it) and after that to distribute it through retailers.

Being a new product, the competition is quite low. As about prices this tends to be very high, because:

- Costs/ unit are high due to conventional expenses which are high per unit (because the volume of production is low);
- Some technical, organizational, and labour training are not solved yet;
- The margin over the cost level needs to be high in order to cover promotion expenses necessary for increasing the selling volume, etc.;

Connected to price and promotion four marketing mix strategies may be adopted, as Table 1 shows.

Launching strategies

Table 1

		Promotion expanses	
		High	Low
Prices	High	Quick skimming strategy	Progressive skimming strategy
	Low	Quick penetration strategy	Progressive (slow) penetration strategy

a) *Quick skimming strategy* is based on high prices and on an intensive promotion effort. It is recommended when product is less known on the market, but immediately after it is better known (due to its high performances) it is rapidly asked for, no matter the high price, and when the potential competition is very strong, so that the production firm should attract consumers for its product.

b) *Progressive skimming strategy* differentiates from the above because the high prices are not sustained by a corresponding promotional effort (only a small one). This strategy could be applied when products are relatively well known in the market, when the market dimensions are quite small, when the real need to be satisfied by the new product is high enough to determine consumers to pay high prices and when the potential competition level is relatively low.

c) *Quick penetration strategy* is based on low prices and on a big promotion effort. It is recommended for large markets and unknown products, when demand-price elasticity is high, potential competitors are very strong and when repressiveness of unitary costs compared with the volume of production is quite visible.

d) *Progressive (slow) penetration strategy* is characterized by reduced prices and promotion efforts. It is used when the product is relatively well known, the market is very large, demand-price elasticity is high and the potential competitors are real ones, etc.

The problem of choosing one or another strategy is not simply at all just because it may well influence the results of launching the product on the market.

As about the fourth P of marketing mix (distribution), in the first stage (launching) it is applied on a small scale network.

1.2 Growth

The growth stage refers to penetrating the market followed by a very high growth (at the beginning) and a slower one (after that) of profit and turnover.

The *product* is better and better known, the first buyers continue to ask for it and recommend it to other people. As a result of the diffusion, the new buyers are more and more (due to firm's effort). Higher exigencies of clients determines producer to continuously improve the product. This self competition is to be preferred to competition made by others.

The *promotion* strategies and the price ones should be linked with those applied in that launching stage. When the launching is based on rapid penetration or skimming, in the growth stage this strategy remains important, but as the selling volume increase the rate promotion costs/ selling volume is lower and lower. If launching is made at higher *prices*, in this second stage the price may be, at the beginning, a high one, and after that it will decrease slowly. This determines demand to grow (new buyers appear). The *profit margin* is at maximum, the costs are lower at a higher rate than prices (due to conventional-constant expenses).

Distribution is expanding by opening new selling points. In order to support the growing process the firm may take some decisions concerning:

- a) creating new channels or circuits for distribution;
- b) penetrating new market segments;
- c) progressive price diminishing.
- d) new publicity formula meant to maintain the consumer interest to the product, etc.

Just because between the promotion expenses and the profit margin may suddenly appear a inversely proportion, in the growth stage the firm should choose between enlarging the market and profit growing. Due to the high level of expenses for improving, promoting and distributing the product, the firm should give up part of the present profit (in favour of the future one).

1.3 Maturity

Most products on the market are at this stage – they are “mature” products. As a rule, this stage lasts more than the previous ones, raising very complex and delicate questions to marketers. Maturity is

characterized by a quite visible slow down of the growing rhythm of selling and profit (even a zero growth may appear). In this stage, the turnover and profit reach their maximum. The product is very well known by consumers (and by competitors, as well), it becomes a very common thing and, in most cases is quite easy to compete with it. That is why the product should be further improved and diversified. Advertising becomes a maintenance one, just to keep alive the consumers' interest for product. The price is diminishing or remains at a certain level (in most cases at a level chosen by competitors as well).

Maturity stage has three different distinct periods:

- 1) Growing maturity, when selling volume is slowly growing at lower and lower levels, just because the last potential buyers were already attracted to product;
- 2) Stable maturity, when selling volume remains roughly the same;
- 3) Decline maturity, when selling volume is declining as a result of needs saturation or to new competitors on the market.

Attracting capital in the branch that is making that product generates a production overcapacity and this sharpens competition. The manufacturers are compelled to intensify promotion measures, but this increases expenses and costs. As a result, weak competitors would be eliminated from the market. The remaining firms, the attack strategy proves to be the best defending solution. In this stage the chief marketer of the firm should choose one of the following kinds of marketing mix [3, p. 414-417]

- a) **Market modification** starts from a reality described by the following formulae:

$$V = N_u r_u ,$$

where: V = Selling volume; N_u = number of users/ consumers; r_u = utilization (consume) rate (it describes the number of units from a certain product bought by a consumer).

Growing the number of consumers may be achieved in three ways:

- 1) Transforming the non consumers or the potential consumers in effective consumers (using advertising, enlarging the range of complementary or auxiliary services, or in other ways);
- 2) Penetrating new market segments (geographically, demographically, socio-economic etc.);
- 3) Customers taking from competitive firms (this tool was used for a long period by Pepsi-Cola, addressing to Coca-Cola consumers to change their option towards Pepsi).

The market expanding using the second variable (consumption rate or utilization rate) may be done on three ways:

- 1) increasing frequency in the product utilization, making special efforts to multiply the consumption opportunities (for example, drinking champagne not only in special occasions, but to receptions, dinners);
- 2) increasing the volume of products consumed in every occasion (more ice cream in a cone);
- 3) increasing the number of utilizations for one and the same product (prescriptions for a certain drug, for example);
- 4) solutions in order to attract more users and to intensify its using by old clients.

b) The **product modification** is a strategy of finding and utilization of improving may be done by:

- *Quality improving* i.e. improving the product performances. This measure is recommended when:

- The quality of product or service is really improvable;
- The quality has credibility for consumers;
- There are sufficient customers who ask for higher quality of product;

- *Adding new characteristics* to improve reliability, flexibility, duration of use or other improvements of the product. This strategy has the following advantages:

- Induces among clients the feeling of progress and care for their needs;
 - It may justify some price increasing without negative reactions from consumers;
 - Offers a good image of product in consumers', prescribers' and distributors' eyes;
 - Offers o greater flexibility during the utilization of the product etc.;
 - *Style revision*, i.e. finding new solutions to increase the esthetical attraction of the product (by form, colour, etc.) different from the functional one.
- c) **Marketing mix modification** implies a ground revision of firm's attitude towards prices, distribution, advertising, promotion methods, selling force, post selling services etc.

All these strategies should be created and applied by the firm before its competitors, and as soon as the competitors imitate it, the strategy should be changed.

1.4. Decline

No m Product Life Cycle and it is defined by the continuous decrease of selling and profit, until zero. The causes of decline may be:

- Technical progress that generates the possibility to create new products to better and cheaper satisfy the same need;
- Change of tastes and exigencies of consumers that may redirect them to other brands;
- Imports of similar and cheaper products;
- Diminishing or even disappearance of a consumption need etc.

When decline appears some firma are compelled to leave out the market, and those ones which remain in the market are obliged to collapse the range of fabrication, to reduce the marginal segments of the market, to give up some distribution channels, to reduce the promotion efforts, to decrease price etc.

This stage determines the firm to choose among:

- Keeping in the market the declining product by decreasing the promotional expenses in such a way to be able to obtain a reasonable profit, this line generating some negative effects such as: frequently adjusting prices and stocks; limiting the fabrication lots; making advertising for other destinations; discrediting itself to its clients.
- A radical modification of the product and the product revival, making big production and promotion expenses, similar and comparable with those needed for launching a new product;
- A progressive abandonment of some market segments (non profitable ones, long distance ones, disturbing ones etc.);
- Stopping the production as one of the most painful decision of the firm.

The commercial death of products is a quite normal thing, so it must be treated normally. To discover that an old product is not profitable, nonperforming compared with those of the competitors, a hardly marketable one etc., is an essential thing to the producing firm, but the decision to abandon the old product is very complicated due to the large range of criteria of deciding the abandon moment and their consequences are quite heterogeneous (production management, stock management, distribution etc.).

The factors we need to have in mind when the decision of maintaining or abandoning a product in the market is quite different. I'll mention some: the dynamic history of demand and selling, prices evolution, the profit curve or the efficiency of the product; the future potential market; stocks; the residual value of equipments; availability of capital; the abandon effects on unemployment etc.

Finally, we'll compare the positive and negative effects resulting from deciding of maintaining, retreating or abandoning the product.

2. Specific types of cycles

The classical form of the Product Life Cycle (see fig. 1) is not tested for all products. Literature describes at least ten different types. [4, p. 219-242 and 5, p. 75-87]

The cycle of “ageless” products (Fig. 2) has a very long maturity and is made from a range of normal cycles. It is specific to basic food goods impossible not to buy and consumed daily in relatively constant quantities (water, bread, salt etc.).

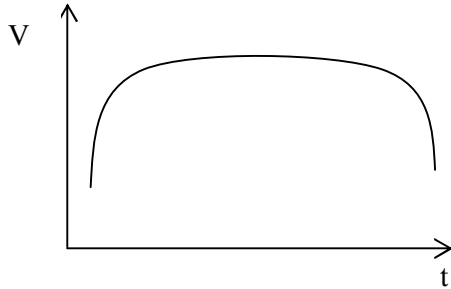


Fig 2. The “ageless” products cycle

Monophasic cycles have only one of the four stages of the classical cycle: a) only growth stage (Fig 3a), and it characterizes only some special products (narcotics) that creates addiction; b) only decline stage (Fig 3b) is specific to products consumed in smaller and smaller doses (e.g. a drug to cure an illness is less and less consumed since that illness is cured); c) only maturity stage (Fig 3c) – similar with “ageless” products cycle.

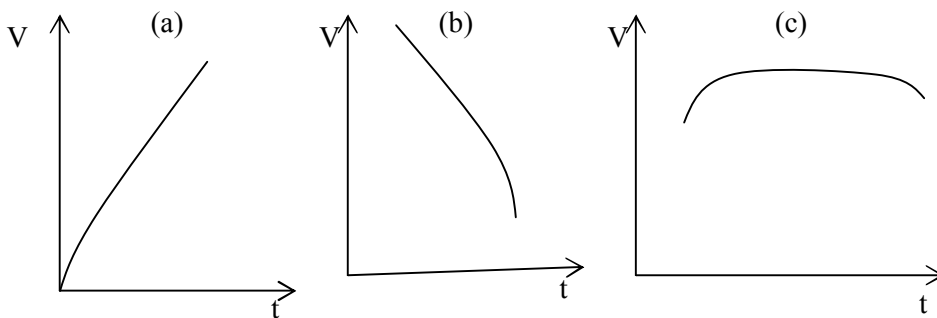


Fig 3. The Monophasic cycle: (a) only growth stage, (b) only decline stage and (c) only maturity stage

The tri stage cycle with stable maturity (Fig 4) is a classical cycle but without decline stage and it is specific to (monopolistic) products which due to their performances during time and lack of competition remain in the “reflex” consumption of people.



Fig 4 Tri stage cycle with stable maturity

The growing maturity cycle (Fig 5) is different from the previous one because it has launching and growth, but we may find it in similar cases.

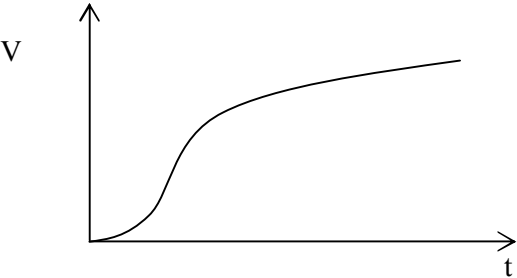


Fig 5. Tri stage cycle with growing maturity

The innovative maturity cycle (Fig. 6) is a kind of the upper one with refreshing stages (at maturity stage) generated by some promotional measures and it is specific to performance products, with increasing quality due to repeated innovations.

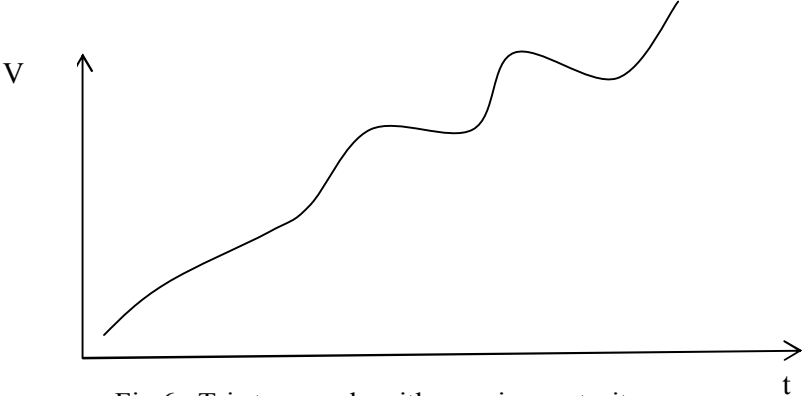


Fig 6. Tri stage cycle with growing maturity

The growth-decline-stabilization (Fig 7) is met when products – after entering the decline stage – are supported to remain in the market using technical measures when the selling is relatively constant in order to avoid the stopping of their production.

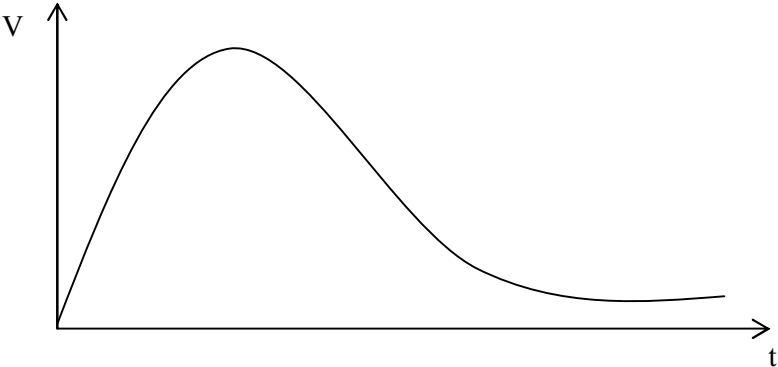


Fig. 7. Growth-decline-stabilization cycle

The compressed life cycle (Fig. 8) is specific to fashion products, and has relatively small time duration of its constitutive phases.

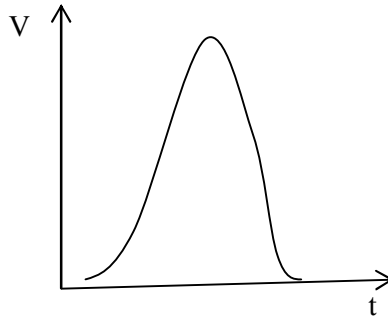


Fig. 8. The compressed life cycle

The reinvigorated cycle (Fig. 9) is a rarely met one and is specific to those products that reached an advanced stage of decline (i.e. they are no more sold on the market). They are relaunched by intensively advertising campaigns, by improvements, by coming back to the past years fashion etc.

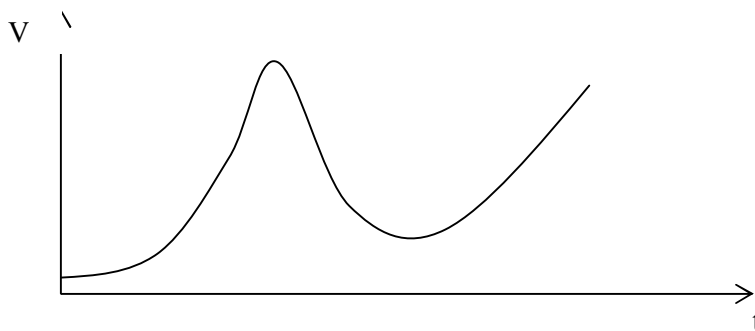


Fig. 9. The reinvigorated life cycle

We may add some other specific life cycles.

3. The evaluation of product situation in the life cycle

The duration and configuration (structure) of the product life cycle could be influenced by some actors [6, p. 231-236] like:

- Technical scientific and technical progress, whose accelerated rhythm determines a reduction of product life duration as a result of obsolescence;
- Type of needs, life duration could be longer to the products designed to cover the basic human needs and a shorter one to the other ones;
- Degree of novelty of the product which is directly proportional to its life duration;
- The size of assortment the product is a part of. Its life duration is shorter when the assortment is smaller;
- Legislation may accelerate the recall of some products, etc.

To estimate the place where a product is situated on a life cycle curve the following indicators may be used:

- The volume and rhythm of selling which indicates if the product is in its growth stage (when the volume is small and its dynamics is high, maturity stage (when the volume is high and dynamics is close to zero), or decline stage (when the volume is continuously decreasing);
- The distribution level among buyers which is determined as a ratio of the number of effective buyers and the total number of potential buyers;
- Geographical penetration degree estimated as a ratio between the number (and surface) of the selling markets and total number of (geographic) markets, etc.

In order to measure the future evolution of the product (starting from statistical series that define the evolution from the launching moment on the market (t) the following formulae is used:

$$f(t) = m \cdot t^n \cdot e^{-ut}$$

where: t = time; m = multiplier which express the cumulated influence of all factors which determines the volume of selling of the product (but not the commercial life duration); n = the novelty degree of the product; u = the obsolescence degree of the product.

It is easily to observe that this is a roughly theoretical model; it is almost impossible to use it due to the two parameters n and u (whose values could be only vague estimated).

4. The combined analysis of the life cycle of every product and the market life cycle

The market (similar with individual's products) has a life cycle of the same four stages: birth, growth, maturity and decline.

1) **Birth** is at the end of latent existence of a market (i.e. a marked made of people which need a product which is not created yet). For example, the people need to make rapid calculus but if this was for a long time an unsatisfied one represented the latent stage for electronics market.

2) **Growth** is the stage where a market is developed together with competitors coming and growing.

3) **Maturity** is the stage where all segments are covered, the market is fractured in smaller and smaller segments – the only unoccupied zones are those with low or zero profit. The market evolves under the influence of the product improvement towards reconsolidation and restructuration.

4) **Decline** of a market is, as a rule, determined by introducing a product which revolutionizes the need covering, and the old product should be recalled.

5. The life cycle of the product range

There are product ranges (as food and clothes) with a undefined life cycle. It is about products that reach the maturity stage at different moments, coming one after another. But, there are ranges (fashion products) with a life cycle very similar with the classical form. In most cases the range life cycles, compared with a brand or a product, is characterized by: a longer duration, and a dominant maturity stage. [7, p. 273 - 288]

The relations among products, brands and ranges life cycles are described in Fig. 10.

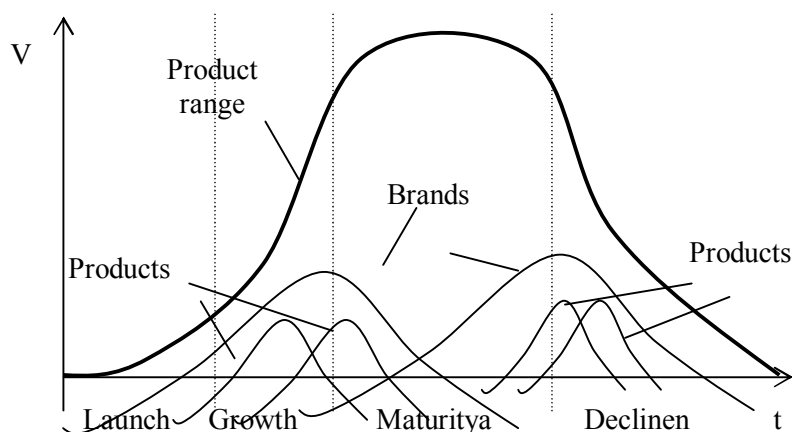


Fig. 10. Life cycle of a product, brand and range

Among the stages of product life cycle and range life cycle may appear according or discordant situation, with reciprocal influences to be considered.

When both *product life cycle and range life cycle* there are in the *launching* stage, it is about the opening of a new market for the firm's products because the creating of a new market is very costly and risky.

When the *product launching is superposed on the growth stage*, the expenses and risks are small and the new launch contributes to the development of a range of products whose market is expanding.

When the launching of a product comes in the *maturity stage* of the range of products we have an innovative maturity stage of the range of products. This operation contributes to the firm consolidation on the market whose range is strongly competed.

When the product launching is superposed with the *decline* of the range this may appear as an absurd situation. However, when we appreciate the opportunity of such an action we need not ignore the following three things:

- 1) The decline of a range cannot be stopped or delayed by launching new products;
- 2) A declining market proves to be quite profitable and it depends on the size and speed of declining;
- 3) Any endangered range of products may recover with the help of some identical, similar or new products.

In order to have a complete image of the age of a range of products is necessary to determine the medium age of products and to analyze its life cycle viewed through its turnover prism.

The average age of products is an important characteristic of a game especially when there are indicators about the average age of the competitors' products (Honda is an example with a life duration of about four years).

Analyzing the range of products through the turnover prism reached the conclusion that in most cases (with some exceptions) we may observe that the 80/20 rule is confirmed: i.e. 80% of the firm turnover is made of 20% of its range of products. This is not to conclude that the other 80% does not deserve to be produced, just because among them there are products in the launching or growth stage that may be – in future – part of the other 20%.

Analyzing the range of products life cycle is based on the average age of own products (comparable with those of those of competitors), on describing the life cycle stage of every product and on determining the share every product has in the total turnover of the firm. In function of this elements, the firm be able to elaborate its strategies concerning the range and products.

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The Monetarist Theory of Prices

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Abstract: The term of money will be used in this chapter only with the meaning of standard of value that is good through which expression shall ensure measurement of size and value. In terms of currency, it will be considered as the result of state intervention in the economy, being the official effigy materials showing title which it is in acts of exchange. In addition, to remove any unnecessary complication aim pursued by the purchasing power of money we mean the quantity of goods (whose price is expected) which can be obtained in exchange for the amount of money taken as standard with the launch by State the coin. The correlation that exists between the purchasing power of money and prices is two-way: on the one hand, increasing the purchasing power of money leads to reduced prices and on the other hand, price increases reduce the purchasing power of money.

Key words: money, price, demand, supply, state, market, goods, services, transactions

1. Walrasian concept

According to Léon Walras's conception, if the currency is also considered a good (to whom he assigned the), it will be called a double position: as good as any other currency. A good application as it was noted with and requests the special quality coin. As a result, **total demand for money** (for services - money) could determine the relationship of the form: [Redslop A., 1989, p. 194 - 203]

$$C_m = Q_a + H_a.$$

As:

$$H_a = D_a + \Delta_a + E_a,$$

It results that:

$$\begin{aligned} C_m &= Q_a + (D_a + \Delta_a + E_a) = \\ &= Q_a + (\alpha_a + \alpha_b p_b + \alpha_c p_c + \dots + \alpha_n p_n) = Q_a + \sum_{i=a}^n \alpha_i p_i \end{aligned}$$

Where: C_m - the demand for commodity currency; D_a - money demand consumer; Δ_a - money producers demand; E_a - saving money demand; $\alpha_a, \alpha_b, \dots, \alpha_n$ - the quantity demanded of goods a, b, ..., n - the price of goods a, b, ..., n - quantity demanded of a commodity i () - the price of commodity i. The price p_a of the currency is (obviously) equal to 1.

Existing quantity of money Q_a is to determine how money demand can be satisfied, Walras resorted to a mathematical trick, introducing into analysis a coefficient τ of transformation of the given coin quantity Q_a in the necessary amount of money in the currency $Q_a + H_a$:

$$\tau = \frac{Q_a + H_a}{Q_a},$$

dividing the existing amount of money in two parts, Q'_a și Q''_a , and so:

$$Q'_a = \frac{Q_a}{\tau}$$

And:

$$Q''_a = \frac{H_a}{\tau} = \frac{1}{\tau} \sum_{i=a}^n \alpha_i p_i .$$

However, he also assumed that prices are proportional to the scarcity of goods. Translated into words, the last two relations show that Walras admitted a double hypothesis:

1) request "pure" currency Q'_a is inversely proportional to the size of the available quantity Q_a of money (i.e., τ is often less than this);

2) demand for currency to buy other (n - 1) commodity prices p_i is directly proportional to their size and inversely proportional to the coefficient τ .

The conclusion reached in this way is as follows: any increase or decrease of *the quantity demanded by commodity currency has the effect of proportional increase or decrease in prices.* On the other hand, the relation:

$$H_a = Q''_a p_a$$

It results that:

$$p_a = \frac{H_a}{Q''_a} ,$$

which means that, according to Walras' opinion, *the price of the commodity currency is equal to the ratio between the volume of economic returns (H_a) and the volume of currency in circulation.*

Making a correlation between this latter relationship and Ricardo's formula (where it is not considered velocity of money):

$$M = p T$$

Where: M - money supply in circulation; H_a ; T - total volume of transactions, p - the general price level), hence:

$$\frac{T}{M} = \frac{1}{p} .$$

Therefore, it can be concluded that the price of the commodity currencies (p_a) is simply the inverse of the general price level ($\frac{1}{p}$).

2. Fisher's Concept

The American economist Irving Fisher's view (1867 - 1947) the general equation of the transaction is presented in the following form:

$$M V = \sum_i q_i p_i ,$$

where: M - money supply in circulation, V - speed of rotation of the coin; q_i - and the amount of goods i to be purchased; p_i - unit price of commodity i .

Subsequently, these equations have been made two improvements:

1) all sizes q_i have been translated into total volume of transactions T:

$$T = \sum_i q_i ;$$

and all prices have been replaced by a general price index p;

2) the money supply were incorporated bank deposits (M') and their speed of movement (V'), considering that the relationship between volume and mass storage of banknotes in circulation is constant:

$$\frac{M'}{M} = k .$$

Thus, the first equation can be written as:

$$MV = pT,$$

the resulting price equation:

$$p = \frac{MV}{T}$$

In addition, I built a second Fisher equation, which has the following form:

$$MV + M'V' = pT,$$

which may be deducted the price of the second equation:

$$p = \frac{MV + M'V'}{T}.$$

Further, I. Fisher believes that money in circulation is affected by several factors such as:

- import and export of goods;
- attraction of new types of currency;
- Production of precious metals, etc.

If the size k , M' , V and V' are considered stable, and the size of T is determined by real sphere, that price changes in the same manner as money in circulation (this conclusion is so similar to that held by Ricardo and Walras).

With the relationship between money supply and bank deposits M upward change immediately will see a precious metal flow out. Thus, if between a time 0 and another one noted 1 one can found that:

$$M_1 = M_0 + \Delta M$$

(where: M_0, M_1 - the money supply in circulation time 0 and 1, $\Delta M = M_1 - M_0$ - change money amount), it will immediately result in the relationship:

$$M'_1 = M'_0 + \Delta M' = k M_0 + k \Delta M = k(M_0 + \Delta M)$$

The total money in circulation becomes:

$$M_{t1} = M_{t0} + \Delta M_t = (1 + k)(M_0 + \Delta M),$$

where: M_t - the total money.

This last relationship I allowed him to draw a second conclusion Fisher: as the total money in circulation increases in a greater proportion $(1 + k)$ than the fiduciary circulation, will see an evolution of the general price level which will generate an exodus of precious metal (to the point that will be discouraged exports and encouraged imports).

Also, when the rotation speeds of money (V) and deposits (V') increases, there will be also a precious metal drain.

Finally, if the physical volume of transactions (T) is increasing the amount of currency in circulation will become too small to allow all transactions, which will bring prices down immediately, import of precious metal become necessary. With the import of such metal, money supply will increase (in terms of volume of deposits in a more than proportionate).

3. English school point of view

The representatives of the *English school*, the school known as the *Cambridge school* (including Alfred Marshall, Arthur Cecil Pigou, Dennis Robertson and John Maynard Keynes), believes that although the production of goods and exchange ratio is determined by the real sector, on a purely monetary analysis in terms of liquidity is still required.

Thus, the developments made by A. Marshal in his *Money, Credit and Commerce* (1922) concluded that "there is a direct relationship between volume and price movements of money: if the first increase by 10%, second is growing by 10% "[Redslop A., 1989, p. 199] (s.n.), agreeing with the quantitative

theory. I. In addition to Fisher, he lists other factors able to disrupt this relationship, such as:

- demographic factors;
- the emergence and development of banking networks;
- Excessive production of inconvertible paper currency, etc..

At a similar conclusion reaches A. C. Pigou. It starts from the following relationship between money supply needed (M), the total income of economic agents (R) titles to legal tender price (p), in real terms (at the legal rate of wheat).

$$M = \frac{k R}{p},$$

which results in an equation of the form of prices:

$$p = \frac{k R}{M},$$

where: k - coefficient expressing the fraction of income that businesses want to keep the titles as legal tender (tickets and deposits).

Detailing the analysis, it then reaches a second relationship of the form:

$$M = \frac{k R [c + (1 - c)h]}{p},$$

where: k - coefficient expressing the fraction of income that businesses want to keep the titles as legal tender (tickets and deposits).

Detailing the analysis, it then reaches a second relationship of the form:

where: c-fraction of securities held as fiduciary agents (for tickets) (1 - c) - the fraction of securities held by economic agents as scriptural (deposits), h - the proportion of bank deposits converted into primary liquidity (the tickets).

Price equation can be deduced from this relationship will be:

$$p = \frac{k R [c + (1 - c)h]}{M}.$$

Even a cursory approach, it is clear that Arthur Cecil Pigou's analysis is converging with that made by I. Fisher. Thus, while the latter operates in monetary terms, Pigou expresses judgments in real terms. In addition, it replaces the expression of money required (involved in transactions) with the desired currency (involved in receipts), integrating with greater finesse banking behavior analysis you do. More specifically, cash bank deposits are not juxtaposed, but take account explicitly.

Dennis Robertson has the merit of being thoroughly Pigou's analysis in his Money (released in 1922), arguing the idea that money can be interpreted either as an existing stock at a time or stream that runs in a certain period of time. In addition, within each type of approach, he points to:

- value - income, with which it is estimated the value of money expressed in real income that can be translated;
- value - transactions, which estimates the value of money expressed in goods can be purchased.

Considering these facts, it comes in four formulas expressing synthetic quantitative theory of money (two for each mode of interpretation of the money).

Thus, in case of the money stock, the first two relations are:

$$M = \frac{k R}{p}$$

and

$$M = \frac{k'T}{p},$$

where: k' - the proportion of transactions involving cash.

From these two equations results in prices: $p = \frac{k R}{M}$ and $p = \frac{k'T}{M}$.

In the case of money flow, the two relations of the monetary amount are: $M = \frac{p R}{V}$ and $M = \frac{p' R}{V'}$, from which there can be deduced another two price equations:

$$p = \frac{M V}{R}$$

and

$$p' = \frac{M V'}{R},$$

where: p' - the price – transaction; V' - velocity of money in transactions.

With these relations D. Robertson stresses the importance of qualitative phenomena (such as attitudes and expectations of economic agents) in refining the proportionality relationship between monetary and price fluctuations.

Regarding two of the four equations of the money supply that operates, two are actually taken from Pigou and Fisher.

4. The American School

The most brilliant representative of American monetarist school (also known as the Chicago school) is Milton Friedman, he published three papers in this area who have brought fame: The Quantity Theory of Money (1956), The Relationship of Economic Stability Pricesto (1958) and The Demand for Money: Some Theoretical and empirical Results (1959). He has not tried, like his predecessors, to establish a mechanical bond between the evolution of currency and stock prices, aiming to substantiate an explanatory model of such relationships. Therefore, quantitative theory of this school becomes a theory of money demand.

In essence, this application is considered to be dependent on a few fundamental variables:

1) *heritage of the economic operators* (W), estimated the flow of income (Y) adjusted discount rate (r), so that:

$$W = \frac{Y}{r};$$

2) *bond yields* (r_o), *actions* (r_a) and *physical capital* (r_{cf}), which are affected by currency depreciation (artificially increased);

3) some *structural parameters* such as proportion of total human capital division of (variable) and material (ω) (which Marx called it "the organic composition of capital") and the index change in consumer preferences As enrichment (u).

Given these factors, a mathematical expression of money demand in real terms is as

$$\frac{M_d}{p} = f(W; r_o; r_a; r_{cf}; \omega; u),$$

where: M_d - the demand for money.

If r , the interest rate is linked to and the term W may be replaced by Y . In addition, given that physical capital is based on performance relationship:

$$r_{cf} = \frac{1}{p} \frac{dp}{dt},$$

previous equation can be transformed into one of the form:

$$\frac{M_d}{Y} = f\left(\frac{p}{Y}; r_o; r_a; \frac{1}{p} \frac{dp}{dt}; \omega; u\right),$$

the application of Friedman's currency is linked not only to prices but also to income. Since the *velocity of money circulation* (v) can be inferred from the relationship:

$$v = \frac{1}{f\left(\frac{p}{Y}; r_o; r_a; \frac{1}{p} \frac{dp}{dt}; \omega; u\right)},$$

It results that:

$$M_d = \frac{Y}{f\left(\frac{p}{Y}; r_o; r_a; \frac{1}{p} \frac{dp}{dt}; \omega; u\right)}.$$

This equation is the modern expression of the quantity theory of money. It follows that:

- velocity of money is no longer considered as a constant, but as a function of a set of variables;
- formula is reached closer to the Keynesian theory than the classical (pre-Keynes);
- As the velocity v is predictable, money can be put in direct correspondence with the evolution of both income and with the price.

Commenting on the conclusions reached by Friedman, Michel Mourgues considered in its review of the application that relationship, long term stability, between money and income in its structure includes all short-term influence that money has on the economy, any such term intervention affecting prices. By their action on monetary income, the money actually act on prices [M. de Mourgues, 1988, p. 81].

5. Monetary balance

As part of the category of money is required and offered on the market for performance of basic and auxiliary (primarily on the medium of exchange). According walrasienne design (optics transaction), as already seen, the money intended to replace barter, serving to transform consumer income and *transform economies in capital goods*.

Money demand expresses the economic agents' wish to hold certain amounts of money in order to exploit its functions, and the money supply is the availability of money and investment instruments that can be made available to economic agents.

In principle, **monetary equilibrium** ensures when money demand equals supply. Purchasing power of money is nothing but "value" (or "price") its supply and demand resulting from currency dealing. How currency supply and demand influences its purchasing power is illustrated by the graphs in Fig. 1.

Under the circumstances in which the currency demand C_m is equal with the offer O_m , the currency balanced is realized in the point E , the monetary amount keeping the balance being M_e , and the power purchase of the currency p_m . Any shift of the money supply curve (Fig. 12. A) towards right (in its original position O_m to position O'_m), will have the effect of lowering the purchasing power of money (from level p_m to level p'_m), as any movement to the left (from the initial position O_m to the position O''_m) will increase its power purchase from p_m to p''_m). Also, any shift of money demand curve (Fig. 1.b) to the left (from position C_m to position C'_m) will result in reducing the purchasing power of money (from level p_m to level p'_m), and any movement to the right will be accompanied by increasing their purchasing power from p_m to p''_m).

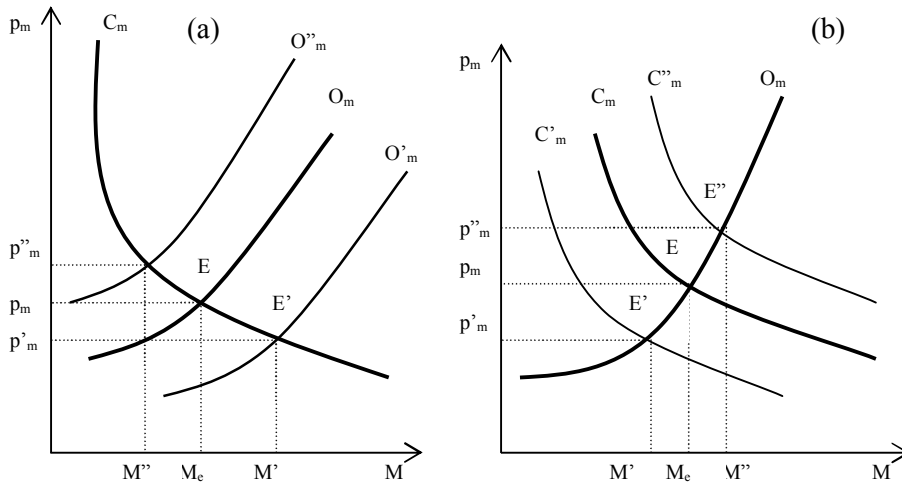


Fig. 1. Influence of modification offer (a) and demand (b) money on purchasing power

Things are the same with any other commodity. Change in purchasing power of currency will influence prices directly. Thus, since the price of any commodity varies in direct proportion to the money in circulation and in inverse ratio to the volume of transactions, increased purchasing power of currency will reduce prices, while reducing it will increase them.

The way in which the monetary equilibrium influences the prices of commodities can be shown in two different ways: the pattern considered classical and the modern one.

5.1. The classical approach

In the classical variant considered as being based on the assumption that people use income available in two main purposes:

- 1) purchase of goods from the market;
- 2) saving.

In terms of savings, they are being increasingly used for purchasing goods or investment. In other words, the assumption from which all proceeds go is that people are eventually spent. However, it also means that there is involuntary unemployment in the economy and aggregate demand for goods is in a very close interdependence with the money available to be spent. The way in which the equilibrium prices of commodities are influenced by money in circulation is illustrated in Fig. 11.

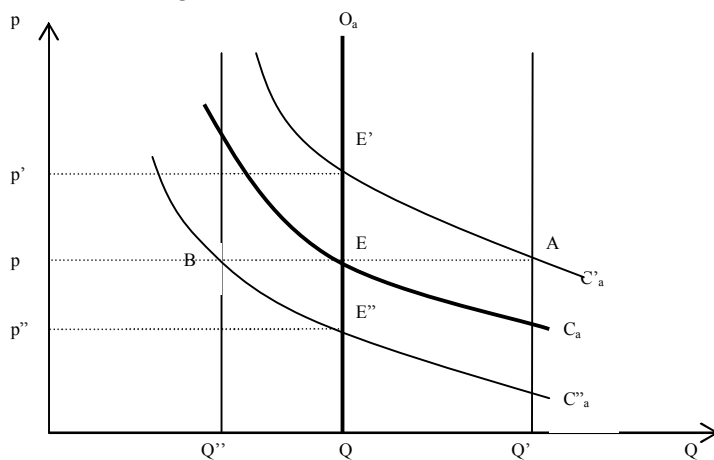


Fig.2. The influence of money in circulation on prices

Since employment in the economy is considered full, the aggregate supply of goods (O_a) can only be unique, it is represented graphically by right Q, which is perpendicular to the axis of abscissas. Suppose that in the initial situation, aggregate demand equals aggregate supply of goods O_a in the equilibrium point E. Thus, the equilibrium price will be p (equal to the equilibrium ordered), and equilibrium production is Q (equal to the abscissa of point E).

Increasing the money amount put into circulation, consume expenses of the population will increase correspondingly, the aggregate demand curve recording a rise from its original position, position C'_a . Consequently, the equilibrium price will increase from the level p to p' (which is actually displaying inflation). In order to maintain the initial equilibrium price at the p level, aggregate supply would be increased from the level Q to the level Q' (marked by the abscissa of the point A, whose ordinate is p). Due to the inelastic supply (given by the constant level of employment) this does not happen. Therefore, *increasing the money supply in circulation will lead to price increases*.

In the other case, the amount of money in circulation would decrease, due to lack of money aggregate demand of goods will have a jump to the left, from the position C_a , to the position C''_a , the supply-demand balance being restored to the point E'' . At the same aggregate supply of goods Q , the new equilibrium price will be p'' . To maintain the initial equilibrium price (p), it would be necessary that the aggregate supply of goods be reduced to the level Q'' (being equal to the abscissa of point B, whose ordinate is also p). Under the circumstances in which the offer was considered fixed, this means that any reduction in money supply in circulation, under ceteris paribus situation, will lead to *lower prices*.

Thus, "the price level stability depends only on the money supply so that aggregate expenditures are relatively constant." [Byrus, R., Stone, G., 1989, p. 155]

Changing money in circulation may have various reasons (savings, credit, monetary policy of the state etc).

5.2. Keynes approach

Even if later (since 1930) Keynes dissociated from *the Cambridge school*, in his work *A Tract on Monetary Reform* (1923) John Maynard Keynes joined the quantitative theory, proposing the following relationship for determining of money supply in circulation:

$$N = p(K + RK')$$

where: N - the need for broad money (liquid and scripts) in circulation; P – the unit price of a good in monetary unit; K, K' - the fraction of total income held as cash (expressing public demand cash receipts) and scriptural form of currency (expressed in units of consumption), R - rate of monetary reserve banks deposits.

It is not hard to see that if they would return to the notation used by Pigou ($N = M, K = k R c; K' = kR(1 - c)$ and $R = h$), Keynes's relationship and the second relation of Pigou's were virtually identical.

Developed by Keynes price equation based on equation already presented, highlights the relationship between price level and money supply as follows:

$$p = \frac{N}{K + RK'}$$

In his famous book *The General Theory of Employment, Interest and Money* (1936), Keynes, noting that in an economy rules, never achieved full employment of labor, abandons the hypothesis that left the classical theory (we analyzed in the preceding paragraph) acknowledging the existence of unemployment. In such conditions, even if aggregate supply of goods is relatively rigid, yet he admits that some jumps can record it by increasing or reducing labor employment, but without exceeding the limit Q_{max} , seen in the classic version, which correspond full employment.

How the money supply in circulation acts on market prices in the new conditions is reflected in Fig. 3.

If the monetary mass in circulation once made (and to a certain degree of labor employment), the aggregate supply of goods is Q , and aggregate demand is C_a , supply-demand balance will be at the point E , the equilibrium price being p_e .

Assuming then that following the phenomenon of saving money in circulation is reduced, reflecting this request will move from position C_a to position C'_a . It appears the danger to remain with unsold production, entrepreneurs will reduce its size to the level Q' , also decreasing the degree of labor employment. Supply-demand balance is restored to the point E' , the level of equilibrium price (p_e) will not be affected.

Also, if money supply in circulation increases, aggregate demand will suffer a jump to the right (position C''_a , say). To meet the new demand, entrepreneurs will invest and will increase labor, bringing the aggregate supply to the new equilibrium level Q'' (indicated by the abscissa of the balance E'' , which ordinate is p_e).

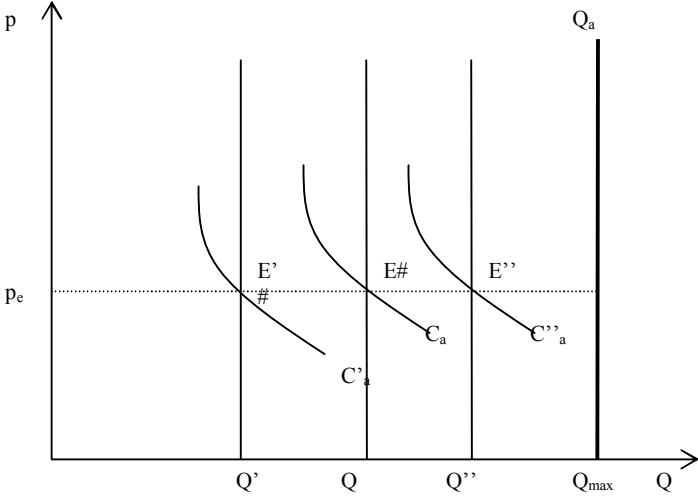


Fig. 3. The influence of money on prices

As the money put into circulation increases, the aggregate supply will register new jumps to the right, to reach the position Q_{max} (which marks the full employment of labor). At this point, increasing the supply will stop because, as explained JM Keynes, "once the use of labor came to be full, any attempt to further boost the investments will result in an *unlimited growth trend of current prices* (s.n.) whatever marginal propensity to consume, and we will find ourselves in a state of true inflation" [Keynes, J. M., 1970, p. 311]

Conclusions

From those presented here, we are able to draw some *conclusions*:

First we would like to note that although the influence of money in circulation on prices is quite obvious, **however it does not manifest itself independently**, but *through demand and supply of goods*, taking to the equilibrium theory. Therefore, even if there is a monetary theory of prices, it is actually integrated into the theory of equilibrium (which is the confluence and other theories).

Secondly, the influence of money on prices *can be hidden* (or *faced against*) by the action of a multitude of factors, so they must be considered in a broader context.

Then, there must never lose sight of the fact that *prices are those that influence the money supply*. In the relationship prices - money supply, they shall serve as *cause variable* and money mass that of effect *variable*. As a result, changing the roles which the two elements have in this relationship can not be regarded only as an exceptional case. Whenever money in circulation is not consistent with the volume and the (real) prices of transactions to be made, it will act as *a disruptive factor* on prices. Changing the price level resulting from this action is an artificial one, having no real support, not justified then in terms of consumers and producers (of the other theories that explain the *essence of the prices*).

For our part, we consider that money in circulation is simply the only factor influencing the *variation* in prices.

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Renewing the Product Marketing Strategies

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Abstract: *The dynamics of consumer needs, technological innovation, competition and other factors determine firms to design and introduce into production, at intervals greater or smaller products.*

In marketing the new product means any product that is different, in terms of construction and functioning of existing ones, resulted in a completely new product that leads to a new market, a new brand, which allows company to enter an existing market, in an extension of the range, by extending a line of products already implemented in an improved product with superior performance than the existing ones, or a similar product in terms of physico-chemical but much cheaper.

Key words: *technological innovation, new products, new market, new bran.*

1. Upgrading paths

Interpretations of new products that there are two distinct ways of renewal of products: the difference and rupture. The main characteristics are presented in Table 1. [1, p. 287]

Although the differentiation renewal is playing its part in the third millennium companies should be particularly concerned with renewing the break. Reinventing becomes a permanent necessity. "But change does not mean reinventing what it is, but to create what is not (nn). Butterfly is not more than a caterpillar or a caterpillar with improvements (sn) butterfly is an insect different." [2]

Innovational strategies

Table 1

Innovation through making the difference	Innovation through rupture
The difference that responds to a diffuse insatisfaction	An assembly of differences leading to a great novelty
The perception of the difference at least on a market share	The appearance of a new market
Relatively evident advantages, but easily copying them	Sustainable advantages
High efficiency in the fields where the products are in full development	Very high efficiency within the traditional fields, whose products are characterised by a long life.
Contribute to the consolidation of the professionalism	Are difficult to be anticipated.

Taking into account the paths that can lead to new products, we can talk about [3]:

- innovation in storage, which is the continuous improvement of the characteristics of existing products;
- synthetic innovation, based on a combination of existing ideas (such as cellular phone introduction of computer elements);
- discontinuous innovation, drawing on the ideas of really new products.

Generally speaking, there are two different ways of getting a new product:

1) by personal research, research - innovation is the result of internal development strategies based on their research forces, or a contractual policy - when you call the specialized bodies from outside the firm;

2) the acquisition, consisting in the purchase of patents that allow the company to manufacture the new product for the first time, or in obtaining the right to manufacture the licensed product. In most cases, firms combine these two ways of action. If successful, the launch of new products may give the company a temporary monopoly, monopoly rent (supraprofit) possible in this way is

dependent responsiveness of competitors. Being there, a company may adopt other two categories of strategies:

a) reactive innovation strategy, which calls for the company's ability to quickly mimic new products launched by competitors;

b) proactive strategy, which implies that the company be able to anticipate changes that will occur on the market and to engage in an innovation process that would overcome competitors, its adoption should be based on: an activity supported research, patents can protect the new products, significant own resources, a good command of distribution circuits, etc.

By some estimates, over 25% of industrial products and about 20% of consumer goods at some point the market (nowadays) are new products.

2. Obstacles and risk factors

In most of the times, new products can be launched into production and market under all conditions, with a range of factors that may lead to their partial or total failure. It is therefore very useful to know (by the firm's marketing specialists) who are the main difficulties and risk factors faced by new products. [4, p. 287].

1) Lack of ideas is one of the main factors that impede innovation in recent years, some experts feel that going through a period of shortage in terms of fundamentally new technologies (such as those that led to the emergence of computers, televisions, aircraft, etc.).

2) market segments too small, occurring as a result of the battle of competition is a factor leading to reduction, sometimes daunting, the turnover corresponding new products and benefits (addressing these markets increasingly narrower) .

3) social and legal environment unfavorable, products requiring new restrictions (on the protection of purchasers, environmental protection, etc..) Difficult to overcome, which complicates a good position to market the new products. There are products (such as pharmaceuticals and cosmetics) subject to special regulations regarding promotional activities that hinder the pace of innovation over.

4) limited innovative capacity of firms is another factor that decreases the pace of innovation. To really make products we needed funds which exceed the scope of individual businesses, causing many companies lack the capital to only about marginal changes or to use imitation.

5) The high cost of implementation of new products (as well as that of the launch and distribution) is one of the most serious slowdown factors renewal products. If profit is profoundly affected by these costs, launch new products may be partially or completely compromised.

6) Accelerating the launch of new products is increasingly difficult to protect an innovation, increasing the risks faced by these acts. [5, p. 99 – 100] However, strong competition between companies who bring their products to meet consumer needs makes the same launch a new product is immediately followed by similar actions from other companies, which shortens the life of each new product in hand, so increasing the risks to which they are exposed.

7) Lack of high quality (due to high costs that it entails) is another factor that can lead to failure to launch a new product. Its influence is even worse with both the quality / price is lower.

8) Poor positioning of the new product on the market leads to poor perception of it, can compromise the entire action innovative.

9) provided insufficient support of distribution channels is another important risk factor, the situation resulting from an insufficient incentive to distributors.

10) Changing consumer preferences or the environment (the level of prices or fees, legislation, etc..), If it takes place after the new product has already been introduced in manufacturing, is a risk factor whose action it must necessarily be expected (to prevent negative effects).

Listed factors and others can join them (prediction errors, failure to launch actions, depressing profits, failure notification, by consumers, the innovations, etc..), Whose action shall in no way neglected.

3. Organizational solutions

There are at least five organizational management solutions for new products, namely:

1) the appointment of heads of products to deal with one product or product range, including new ones, this solution (although widely used by some companies) but showing some limitations (being primarily concerned with existing products such a chief can neglect the issue of innovation);

2) responsible for the appointment of new products, which is an organizational solution that is based on providing a professional dimensions of new product development functions, removing it within the previous solution (those responsible being relieved of duties pertaining to other products.;

3) establishment of committees of the new products, consisting of highly qualified technical specialists in finance, marketing etc issues., Which is an organizational solution which eliminates the negative effects of limited powers characteristic of a single person;

4) new products department, which is nothing but an extension and previous permanent solution being found in large enterprises (this section independently, already operating under the authority of the company direction, enjoying substantial authority);

5) commandos on new products (which are special teams set up in order to develop and follow new products, consisting of people from many departments functional tasks express line launch of such products), which is a solution giving suppleness and flexibility advantage .

For the whole activity of developing new product ideas to take place in the best conditions, Kotler ideas proposed solution manager [6, p.53-54].

Adopting either of organizational solutions presented is based on the advantages and disadvantages they present in each individual case basis.

Ultimately, the responsibility of introducing the manufacture and launch of new products is the top management of the company, these actions should take account of their strategic role, which can consist of:

- 1) keeping the market;
- 2) entering new market segments;
- 3) maintaining, among customers, the company's image in terms of innovative capacity;
- 4) exploitation of new technologies;
- 5) turning force distribution, etc..

Among the criteria according to which decisions taken on the launch of new products (initial investment recovery period, return on investment, etc..) Be located on a central cannibalizing effects (concurării their newly introduced products to market - of the same company) that it must necessarily be highlighted.

4. New product development stages

Launching a new product to market is a complex process consisting of several phases: discovery of ideas, their selection, development and testing of concepts, choice of marketing strategy, economic analysis, product development, testing and launching on the market itself.

4.1. Discovering ideas

Typically, ideas on new products have very different sources, and may be obtained through several methods.[7, p. 39-49]

The most common sources of ideas for new products are: customers, competitors, representatives and distributors, researchers, etc. [8, p. 362-366].

1) Customers are, most often the main source of the ideas about new products, so firms have to form panels of customers from which to harvest ideas necessary to design new products, using the For this purpose methods which we will refer immediately. Direct contact with consumers or users samples are especially effective when they were requested to express their opinions about the shortcomings of existing products on the market (which new products are going to remove).

2) competitors by launching new products that the market is another important source of ideas, especially for companies willing to counteract competition. Information may come from customers, distributors, suppliers or their competitors, not specifically excluded or buying competitors' products to their study (to counter with their own products).

3) representatives and distributors, knowing well what are the main remaining unmet needs of customers and their complaints are often the first source you should consult producing company.

Many companies deliver products with some special forms that are collected opinions about flaws buyers which they have (information used to design new products).

4) Researchers are providing the most consistent ideas, many businesses turning to their own departments or specialized research institutes in order to obtain information underlying conception and design new products. This explains the fact that today, Procter & Gamble is on the payroll more scientists than Harvard, Berkeley and Massachusetts Institute of Technology together [9, p. 99].

On new product ideas can come from other sources (such as advertising agencies, market research offices, professional journals, academics, exhibitions and salons, etc.).

The company management has the lead role in defining the areas of harvesting new ideas regarding new products.

Among the methods, procedures and techniques whose job is to stimulate creativity include: analysis of attributes, associations forced matrix findings, morphological analysis, functional analysis, brainstorming, sinetica, Delphi, etc. [10].

1) *Analysis of attributes* is a method based on a list of attributes of a product is then subjected to repeated attempts by recombination, thereby seeking to find solutions to improve it. It is based on a series of questions like: How can new product readjusted to new uses? Can it be changed? How can it be simplified? What product can be replaced? What new features can be added to them? etc.

2) Forced combination consists in the enumeration of a relatively large number of ideas, then try each one judging by reference to the other. For example, a furniture manufacturer that can produce, depending on available equipment, desks, chairs, bookcases and recamiere will be able to operate with combinations such as: library built in his office, sofa bed built-in library chair built-in desk, etc.. The procedure was proposed by CS Whiting, being known as the *technical and imposed relations*.

3) The matrix is a discovery procedure (proposed by Abraham Moles) which consists of preparing a matrix whose columns contain products is can satisfy a particular need and whose rows contain their characteristics, the intersection of each row of each column can be her a new product idea.

4) Morphological analysis is a method which consists in the delimitation of the most important elements of a problem in studying the links between them all. If it is a tennis racket for example, the key elements of the analysis are: 1) handle shape (round, oval etc.); 2) length of the handle (15 cm, 20 cm, etc.); 3) the material it is built (wood, plastics, etc.); 4) frame shape (oval, circular, etc.); 5) net configuration (rectangular mesh, square, trapezoidal), etc.. Leaving the imagination free, identifies all possible links between these elements, the resulting product variants whichever product is most plausible models. The method was proposed by F. Zwicky.

5) Functional analysis places the focus not the product but the consumer is asked to indicate which types of unwanted problems faced when using the product concerned, each reported deficiency can give rise to one new product idea. There are situations in which consumers are asked to suggest products that would meet the needs that they feel.

6) Brainstorming is a method of stimulating the creativity of the group [11, p. 286-287], which consists in the organization of meetings attended by an estimated 6 to 10 people, whose very discreet discussions are conducted by a specially designated person. The problem at issue (which should not only be alone for the same state) is part, as a rule, the concerns of participants, they were leaving the freedom to formulate any idea that seems to be related to the topic addressed discussions recorded on tape or tapes.

To make a meeting more efficient, AF Osborn made the following recommendations:

- criticisms are forbidden to participants and inhibition is not achieved;
- exuberances should be encouraged, often extravagant ideas of a person other participants in the meeting stimulating imagination;
- location on one of the first plans of quantitative aspect of things, chances are even higher as the number of ideas produced is greater;
- paying attention to finding ways of combining and improving ideas on them resulting in new ideas increasingly valuable.

A brainstorming meeting takes usually about an hour and is indicated to be scheduled in the morning (when participants have the highest creative capacity). After issuing and recording ideas, participants are meeting their invitation to rigorous analysis to find those that will lead to new products.

7) *Sinetica* [12] is a method that focuses not so much on the association of ideas, but the analogies. JJ Gordon, who is considered the father sineticii, believes that rather than define the problem (to solve) in precise terms, it is better to present it in general terms, so that participants can not talk to discover true nature. Later (after being depleted solutions on general), the discussion will be introduced step Cupas new elements that define more precisely the ultimate goal urärt. Thus, finally put up the best solution.

8) The Delphi method is to organize activities that are invited to give their help in the future of product experts who are asked to express their own ideas about them, combining available data on the technology needs elements of infrastructure, etc. available.

There are other methods and techniques for stimulating creativity (to reduce restrictions, Pattern, etc. [13,p. 357-361]).

4.2. Selection of ideas

Choosing the best ideas on new products is an operation involving the use of certain criteria and rubrics. Of these, we will refer only to the evaluation grid type O'Meara [14, p. 124] (Table 6).

Evaluation grid O'Meara type

Table 6

General criteria	Specific criteria	Excellent	Medium	Mediocre	Relative importance of the criterion	Ponderate evaluation
Potential traders on short term	Compatibility with the actual distribution circuit					
	Introduction on the existing production line					
	Ratio quality/price					
	The possible evolution of the product range					
	Compatibility with the promotional methods					
	Influence upon the sales of the existing product					
Potential traders on long term	The potential economic life duration					
	The global size of the market					
	Resistance to the seasonal fluctuations					
	Protection use type					
Production	Compatibility with the existing technical equipment					
	Putting into value of the existing experience					
	Disponibility and control upon the supplying sources					
Potential growth	The industrial stage of the life cycle					

General criteria	Specific criteria	Excellent	Medium	Mediocre	Relative importance of the criterion	Ponderate evaluation
	The relative added value (compared to competition)					
	Evaluation under the aspect of the final demand					

This grid is disputed by some experts [15, p. 87 - 91], they instead proposing a relationship like this [16, p. 112]:

$$N = \frac{T C R}{C_d}$$

(Where: N - overall grade given to new product idea considered, T-subjective probability that the company can develop the idea technically; C - subjective probability of commercial success of new product, R - estimated return on success, CD - probable cost of realization and development of the idea), or a simple one like [17, p.61]:

$$p_{rf} = T C E,$$

Where : p_{rf} - the probability of final success, E - the probability of economic success.

Election of the new product ideas will be in descending order of notes from assessments.

As each selection method has both meanings and boundaries, it is indicated while using several methods based on both more numerous and more stringent criteria, the idea selected must comply with best corporate objectives, the potential for it available, the competitive environment in which it operates, etc..

The main elements that must be taken into account when making the selection of new product ideas are:

- the actual or potential competitor in every respect: turnover, market age, enjoyed notoriety, distribution networks they use, etc. advertising budgets.;
- opinions of commercial firms, prescriptorilor, buyers etc.;
- comparative conclusions about the means used by each competitor and results;
- weaknesses and strengths across the nearest competitor;
- opinions and buyer motivations, etc.[18, p. 365 - 367].

Selection of ideas is an operation based on a number of criteria of technical feasibility, marketing, profitability, etc., Whose combination helps to remove existing difficulties in the way of steps coming from the world of science and technology to the business activities of firms [19, p. 33].

Two types of errors are known to be taken to be avoided when selecting ideas running operations: the rejection of good ideas and admission of unworthy ideas.

1) The rejection of good ideas is a mistake that occurs especially when the company does not have a clear vision about its potential real, its repetition is a sign that it manifests a degree of conservatism.

2) Admission of worthless ideas is a serious error than the first, developing and marketing new products involving high consumption of resources.

Following selection errors, the company may record:

- a) an absolute failure, the proceeds from selling the new product is lower than the costs (the company recorded losses);

- b) a relative failure, the company obtaining a profit, return on new product but was below the normal [20, p. 319 - 320].

The main objective in the operation of selection of ideas is to detect early ideas as unworthy, losses are much larger errors as the second type are identified later.

4.3. Development and concept testing

Marketing mix distinction between idea, concept and image of the product. If the idea of product is defined as a product as possible, objective described in functional terms, that the company can manufacture and provide the market, the product concept is all the elements and characteristics that an individual consumer expects to meet product and the image of the product is subjective picture that consumers have about the product.

To put out more clearly the differences between ideas, concepts and images, Ph. Kotler uses a concrete example [21, p. 321 - 322]

Thus, he assumes that a business idea comes to him to produce a powder which can be dissolved in milk to increase capacity and improve its nutritional taste. This idea is so produced, which can then result in a large number of product concepts. First of all, depending on the users, powder that can be accepted by infants, children, adolescents, young adults, elderly, etc. Then, taking into account the characteristics to be secured new product, emphasis will be placed on taste, nutrition capacity, capacity etc comfort. Depending on the opportunities that will consume the powder can be used for breakfast, between meals, as dessert at lunch, dinner, after dinner, etc. taking into account all these, the company can reach more alternatives on the new product concept. Such a concept might be, for example, the fast drink for breakfast prepared by young morning to leave home. Another would be the health supplement used by adults during the course of the discussion friendly and refreshing drink for children, etc.

In order to choose one of these concepts, the company will use several criteria (high volume sales, higher profitability rate, utilization of production capacity, etc.). Once selected product concept, the company has to define the space in the new product will be positioned. For example, if you opted for the concept of quickly prepared drink for breakfast, the new product will be able to compete at the same time other foods used by the same consumers (eggs, coffee or tea, yogurt, etc.). Also, the concept of refreshing drink will bring new product to compete with other similar types of beverages (fruit juices, alcoholic drinks easy, Coca-Cola, etc.). In other words, product ideas, but the concepts are those that define effective competition between products.

If the option was for the concept of drink for breakfast, immediately afterwards to build the new product positioning map, indicating the position where he is from the other foods used at the same table (according to some criteria such the cost and preparation time).

Testing the chosen concept is consumer reactions to new product knowledge. The consumer concept must be presented symbolically (through descriptions in words or drawings) or in physical form (layout), and capable to offer answers to a set of questions like:

1. The concept is clearly presented and easy to understand?
2. The new product offers some clear advantages over the competition?
3. Find credible assurances regarding the performance of the product?
4. The product is preferable to others?
5. Intend to buy new product?
6. Are you willing to quit the old products for it?
7. How often do you intend to buy a new product?
8. Who will use the product?
9. At what level do you appreciate product price? etc.

Even if testing is an operation absolutely necessary concept, judging it not only provides new product idea, to be followed inevitably by testing the product itself.

Product testing is done under a *technical aspect* and in order to verify its *degree of acceptability* in terms of the future consumers, i.e. from point of view of the correspondence between the characteristics (of a structural, functional, psychosocial, economic order, etc..) which the manufacturer assured them or the perceptions and expectations of users. In order to really use the obtained results, testing must be carried out on a date to precede the launch of the product to ensure any changes necessary time before making the most important technical and commercial investment. The place of the test must be appropriate for the product to be used or consumed, and the sample of subjects on which this operation is based should be as representative as of its potential consumers of the corporate total.

4.4. Economic - financial evaluation

Once an idea has been selected and a new product concept, the company will move to economic and financial evaluation of the main parameters involved in the manufacture and sale of.

First, the company must achieve *sales estimate*.

For profit, revenue from sales of the new product compared to the costs must be large enough. Their estimate is usually based on statistical data on sales of similar products and those obtained from market surveys. Estimation methods are different depending on whether the new product is purchased only once, to repurchase the irregular or repurchase frequently. For each of these situations there is one different type of life cycle.

Thus, if products are purchased only once (such as housing), sales go from zero (Fig. 12), then increased to a maximum level all the finally tending to zero (when all buyers potential they have purchased).

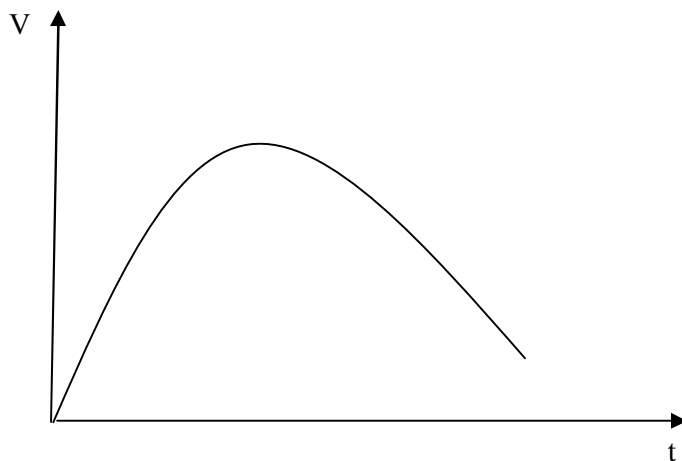


Fig. 12. The life cycle of the products that are bought only once

Estimation of purchases for the first time is a relatively difficult operation to this end and could use a relation of the form [22, p. 31 - 38]:

$$N_{cp} = N_c k_p r_p (1 - r_p)^{t-1}$$

where: N_{cp} - the number of potential buyers in period t , N_c - total number of persons to whom it is addressed to the new product, k_p - the proportion of the total held by potential buyers whom it is addressed to the product throughout its lifetime, r_p - new product penetration among potential buyers who have not yet bought, t - the period considered.

To determine the estimated unit sales money (V) using the relation:

$$V = N_{cp} q_c p$$

where: qc - estimated quantity to be purchased by a consumer on average;
 p - unit price of the product.

This calculation method is recommended especially for nondurable goods.

Products subject to *infrequent purchases* (cars, furniture, etc..) have a lifecycle determined, on the one hand, their physical strength, and on the other hand the changes that occur over time in terms of fashion, habits, taste, etc. For them it is necessary to try to separate estimation of the volume purchases are made for the first time and the volume of purchase for replacement (Fig. 13).

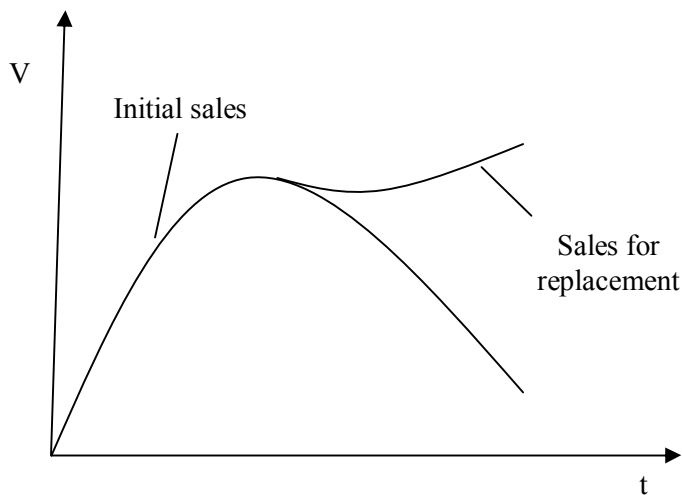


Fig. 13. The life cycle of the products which are irregularly bought

Replacement purchases are estimated based on the life duration of new products whose final moments are also the moments when the company should expect the appearance of rebuys, taking into account other factors (fashion, competing products, financial situation customers, prices, sales effort, etc..).

Goods that are *bought frequently* (such as the consumer) have a specific life cycle during which the volume of purchases for the first time first increases and then decreases (as in the first group), detaching themselves from it a second cycle, for rebuys (if they have satisfied the requirements of consumers), the duration of which is obviously higher (Fig. 14).

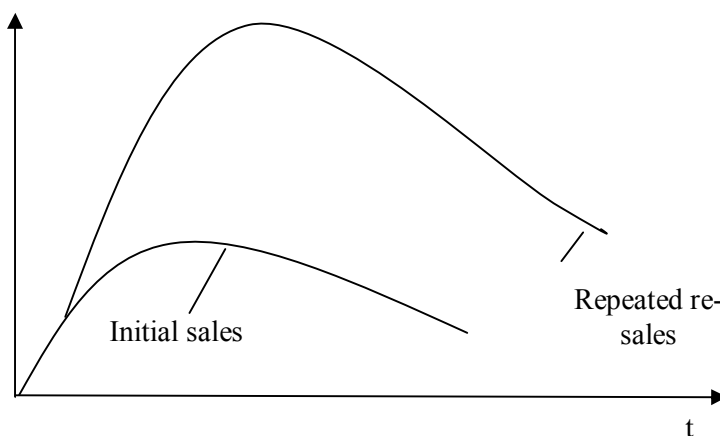


Fig. 14. The life cycle of the products those are frequently re-bought

If goods are subject to *repeated purchases*, manufacturing companies must estimate (apart from sales for the first time) *repeated purchases*. On this occasion it is necessary to establish and *repetition frequencies*, respectively purchases repeated once, twice, three times etc. The recurrence rate is high with both purchases consumers show a greater confidence in the company's products.

Costing evaluation is done under normal procedures of antecalculation and forecasting. Besides the actual production cost estimates will cover the other expenditure categories (packaging, handling and transportation, marketing, research, etc.).

Knowing the total projected revenues and costs, the difference can be estimated and **profit**.

4.5. Product development

If, after completing all other steps, the economic and financial analysis being favourable, the concept of new product (which is the form of a drawing, a description in words or models) is taken by the processing compartments in order to be changed into a physical product. On this occasion it is also checked whether the idea and concept of new product is or not technically enforceable. Assuming an important investment effort, this step is done in several phases: development and prototype testing, choosing the name, packaging, etc..

1) *Construction of the prototype* is the phase where production departments actually carry out one or several copies representing physical materialization of the idea of new product, aiming to meet all the attributes that it announced in earlier stages, can be used safely in full and within estimated costs. In addition to functional attributes, the prototype must be provided and so-called psychological attributes (design, color, etc..), which make it more attractive (designed to attract attention and interest of potential customers).

2) *Testing the prototype* is done by two types of testing: functional and consumption.

a) *Functional tests* take place in laboratory conditions or in the actual use, each aiming to verify the technical performance of the new product are clear.

b) consumer tests are presented in a variety of forms, consisting essentially in the prototype implementation available to potential users, whose reactions are then subjected to analysis.

3) *The choice of name* is the next phase of new product development (whose prototype expected results from testing), it shall meet all requirements to which reference has already been done: For this purpose, companies can make use of special tests (Association, the memory, preferences, etc.)..

4) *Packaging* has become an operation of which depends greatly on the success or failure of new products on the market. To check how a package is able to perform his duties, he is subjected to special tests (strength, chromatic - optical, consumer, etc.)..

4.6. Market Testing

Such tests aim to verify, in a real as possible, the entire marketing program based on the new product. Their implementation requires as a rule, relatively high costs, indicating the scale of operation that will gain market testing is very important, it depends on several factors (investment costs for new product, it risks that lurk, urgency with which the product must be released, etc.).

In general, can be highlighted three distinct ways of testing the market, 'that tests: standard, control and simulation [23, p. 284 - 287].

a) As part of *regular class tests* to be performed if the current consumer, market standard tests designed to highlight how the product is spotted, selected and purchased by consumers and their reactions after they tried the new product. They are organized in several cities rigorously chosen and shall be accompanied, usually, advertising and promotional campaigns, repeating from time to time, the results of their serving in estimating national or international sales, profit, etc., to identify production problems still unresolved, the development of future marketing programs, etc.

Beyond the advantages that they have imposed, marketing managers must consider the **disadvantages** with which they are confronted. Thus, it takes a long time (even of the order), which allows competitors to respond with defensive strategies or counter top as the relatively expensive.

b) *control tests* (for *minimarket*) are based on panels of stores (in terms of representative types and geographical distribution of potential customers), with the advantage of requiring a shorter time and lower costs of implementation. The new product is delivered by the company producing the stores covered by the panel through their main parameters controlling the marketing mix related to it and included in the experimental plan prepared in advance (price, sales volume, the effectiveness of advertising and promotional solutions, etc.) The information obtained through technical means (TV

systems and scanners) without direct contact to customers before or when making observations. Samples could then be used by consumers to find out their impressions directly opposite the new product.

c) *simulation tests* are conducted under simulated purchase environments, the new product is presented together with others. Buyers included in the sample constituted for this purpose are given a certain amount of money, who are invited into a store (real or laboratory type) they can be spent to purchase goods or keep. The operator will record how many of them will buy the new product and what are the main competing products. In a next phase, buyers are required to state the reasons which have led to new product purchase or not. These tests are less expensive than the other two, during the running of their product vision is not exposed to competition.

All market tests require finding answers to questions about: during the course; localities involved in their implementation, the main types of information to be used, actions to be taken etc.

4.7. Launch and dissemination

Operation to market the new product is based on information obtained from testing the market, the assumptions on the distribution of and on a number of models used to estimate sales based on possible combinations of elements of main marketing mix.

Decision on new product diffusion must answer the following questions: when? where? what? how? [24, p. 340 - 342].

1) **When?** When the new product replaces another, it will be launched after having exhausted stocks of the old one. If demand is seasonal, the launch will not happen before the season in which it is requested. When there is the possibility of improving the new product, it is preferable that the first thing to happen and then be launched etc.

2) **Where?** This question calls for fixing the place that will be launched: a particular locality, region, a national market, an international market or group of localities, regions, countries, etc..

3) **Who?** The new product is addressed to all consumer groups or certain segments, the aim being to maximize sales volume.

4) **How?** Responding to a question of this type is reflected in specific marketing strategies, each involving one distinct budget and specific activities.

4.8. Adoption

Being a very complex process, adoption of the new product starts with making consumers aware of and accepting the idea of innovation and ends with the decision by each client, on its current use¹. Its conduct supposes the following phases [25, p. 56]:

1) *taking note of*, the consumer just take note of the existence of potential new product, but have no other information about him;

2) *involvement*, which is the phase in which the consumer is encouraged to achieve information on new product features;

3) *evaluation*, which consists of a series of judgments or reflections regarding the advisability of purchasing new consumer product;

4) *attempt*, during which the individual can convince (or not) the utility of the new product;

5) *the adoption* itself, i.e. deciding on the purchase and use.

In carrying out the adoption process, the *interpersonal influences* (which are very strong especially in the assessment phase) and product characteristics may be grouped into the following categories:

1) the *comparative advantages*, required to others too;

2) *compatibility* characteristics, which influence the degree of concordance between the services offered by product and consumer values or experiences in their social system;

3) characteristics of *complexity*, which determines the degree of difficulty in understanding and using innovation, degree of which depends on new product diffusion length;

4) features providing a degree of *divisibility* of the product (can be purchased and tested in limited quantities);

5) *communicability* features that give consumers the opportunity to see the results of the use and describe them to others.

There are, of course, and other product features that influence the adoption process (cost, risk and uncertainty etc.).

5. New product failure

The launch of the new products is not always successfully assured, there are enough cases where it is accompanied by failure (specialists estimating about 60-80% of its rate).

The causes of failure are very numerous, they may be quite fall into the following six categories [26, p. 198 – 200]:

1) *an insufficient analysis of the market* (or no market research), this fact being met both for industrial goods and of the consume ones;

2) *the questionable performance* of the product, it claims or expectations of the buyers, the effects of this case not being able to counter the advertising or promotional measures (however large they may be);

3) *errors in the company's marketing policy*, embodied in faulty positioning or too ambitious, unacceptable prices, in solutions of poor quality or insufficient advertising, etc.;

4) *distributors do not accept of the product* (or insufficient to support them), their role is extremely important in the process of diffusion;

5) *underestimating the competition*, which leads to the formation of a false image about its strength, the extent of implantation in distribution systems, with launch speed in acts of counter etc.;

6) *bad organization*, which leads to synchronization and deficiencies.

Knowing the main causes leading to failure of new products on the market is very important for the company, efforts to that end never being meaningless.

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The Development of New Internet Mobile Banking Solutions for Smartphones

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***Abstract:** In the last period of time, many independent studies point to the same conclusion: the internet banking has become established in the retail banking sphere.*

The electronic revolution in commerce is strongly affecting the performance of the economies. Banking over the internet has attracted increasing attention over the past several years from bankers and other financial services industry participants and this is due to the rapid and significant growth in electronic commerce.

In Romania, financial banking technologies have witnessed a genuine revolution in the field of information technology. The most recently studies emphasize the fact that more than 54 millions of Europeans used in 2010 the on-line bank services. In the same time, the supplying of the services through the Internet brings huge benefits for the banks also. The reducing of the costs, the keeping of the clients or the attraction of the new clients, the growing of the operation speed of the transactions are only few of them.

***Keywords:** internet banking, mobile banking, smartphones, software application, data security*

INTRODUCTION

The growth of smartphones and tablets is fuelling mobile banking adoption, conditioned as their users have already become to other automated banking channels, such as online banking.

Banks offering mobile financial services can increase new customer acquisition by as much as 60%, according to a recent consumer survey by Mercatus LLC from the United States of America, a financial services strategy consulting and investment firm. The six-month study, sponsored by Visa, examined the impact of mobile financial services, including mobile banking and payments, on consumer decision-making, specifically when it came to selecting retail banking services. More than 1,400 U.S. consumers over the age of 18 with mobile devices and bank accounts participated in the study.

In accordance with the latest innovations in financial services delivery, mobile financial services are approaching a tipping point. Mercatus analysis assessed consumer behaviour across three decades of distribution channel innovation, revealing how the current pace of mobile adoption exceeds past innovations including ATMs, debit cards, and online banking.

The survey found that nearly one-third of consumers are using, or considering using, mobile financial services in the next year. Additionally, responses indicated that mobile financial service adoption will exceed the use of online banking by 2015. [1, pg. 5]

In Romania, financial banking technologies have witnessed a genuine revolution in the field of information technology, in terms of how the range of products and services is managed. The most recent studies emphasize the fact that more than 54 millions of Europeans have used in 2010 the on-line bank services. In the same time, the supplying of the services through the Internet brings huge benefits for the banks also. The reducing of costs, the keeping of the clients or the attraction of the new clients, the growing of the operation speed of the transactions are only few of them.

In this moment, in Romania, even if the banks have implemented different systems of electronic bank services, the clearing part still suffer, as long as it doesn't have an electronically system base.

1. THE HISTORY OF INTERNET BANKING IN ROMANIA AND WORLDWIDE

The concept of Internet banking has been evolving with the development of the World Wide Web (the wellknown www). Programmers working on banking data bases came up with ideas for online banking transactions, some time during the 1980's. The creative process of development of these services was probably sparked off after many companies started the concept of online shopping. [2, pg. 20] The online shopping promoted the use of credit cards through Internet. Many banking organizations had already started creating data ware housing facilities to ease their working staffs. The development of these databases was widely used during the development of ATM's.

Sometime in 1980's, banking and finance organizations in Europe and United States started suggestive researches and programming experiments on the concept of 'home banking'. Initially in the 80's when computers and Internet were not so well-developed, 'home banking' basically made use of fax machines and telephones to facilitate their customers. The widespread of Internet and programming facilities created further opportunities for the development of home banking.

In 1983, the Nottingham Building Society, commonly abbreviated and referred to as the NBS, launched the first Internet banking service in United Kingdom. This service formed the basis for most of the Internet banking facilities that followed. This facility was not very well-developed and restricted the number of transactions and functions that account holders could execute. The facility introduced by Nottingham Building Society is said to have been derived from a system known as Prestel, which is deployed by the postal service department of United Kingdom.

The first online banking service in United States was introduced, in October 1994. The service was developed by Stanford Federal Credit Union, which is a financial institution. The online banking services are becoming more and more prevalent due to the well-developed systems. Though there are pros and cons of electronic cash technology, it has become a revolution that is enhancing the banking sector.

Most of the banks are now providing an online service for their business account holders. Barclay's in particular is encouraging customers to bank this way, explaining that this is the main reason behind the recent closure of 171 branches nationwide. It is even offering free internet access to online bankers.

Most of the internet facilities allow customers to pay bills, set up standing orders and direct debits as well as check account statements. The transfer of money to other accounts is also available depending on the bank.

In fact the biggest risk likely to be faced is credit card fraud. So when shopping online, as long as customers stick to the known companies who display the recognized security symbols where personal information is requested, managing money and spending online is safe. It is important to see the locked padlock symbol at the bottom of the screen; this means that all data is encrypted for added security.

2. THE EVOLUTION OF THE INTERNET BANKING MARKET IN ROMANIA AND WORLDWIDE

Exploiting the new communication/transaction channels offered by the Internet, in the last five years the number of bank websites has increased rapidly. At present there are available online more than 1,500 sites of banks from all over the world. The majority of banks with Internet presence are from the USA, while in Europe the largest number of banking websites are in the UK, Germany, Spain, Italy and France.

The “new” free market oriented countries, many of them with a fairly developed financial and technological infrastructure, experience specific market conditions in terms of knowledge, technological abilities, business ethics and internet regulations, as well as consumer cultural and economic differences. Because of this, the implementation strategy of online banking, which is straightforward in a developed economy, might be different and more difficult in a developing country, requiring specific objectives and additional costs.

Using the Internet, people can access their banking accounts and conduct transactions 24 hours a day, seven days a week, with reduced costs and increased convenience. On the other hand, due to the explosive development of the digital environment, the banks now have the opportunity to expand their market penetration internationally. A study completed by Datamonitor estimates that at the end of the year 2011, a high percent of the world population (approximately 745 million people) will have Internet access. Taking advantage of this favourable situation, many financial institutions have launched corporate websites, offering personalised online services. Customers can view account balances and previous statements from their PCs and download data into personal financial management software such as Quicken, Money, and Managing Your Money. The e-banking services also offer the possibility of opening new accounts or direct deposits, ordering cheques, changing addresses, or paying bills online. All these operations are secured through encryption, firewalls, filtering routers and personal identification numbers.

Internet banking offers multiple advantages to banks, as well as individual clients and corporate clients. The role and content of banks’ websites is evolving over time. Most banks start with a simple web page comprising general information about the bank and its services, gradually introducing online communication facilities with the customers and then a full range of Internet banking services.

The cost of online applications increases with the complexity of the site. On the other hand the increased complexity of online applications permits better targeting and servicing of customers (implementing customer relationship management functions), which in turn increases the competitive advantage of the bank. A study conducted by Faulkner & Gray has shown that most of the existing bank websites are informational. Around 20 percent of the bank sites offer the possibility of limited transactions (self-service), and only 1.58 percent has implemented a complex transactional site. Finally, only 0.56 per cent of the surveyed banks offer highly customised online applications.

On the other hand, analysing the barriers against the introduction and development of online banking services, two main categories can easily be identified:

- ✓ factors affecting the suppliers of banking services;
- ✓ factors affecting the customers.

A study undertaken by KPMG Europe on a sample of 357 institutions, has identified some problems experienced by the banks. Security seems to be the most important problem. This is understandable considering the number of security breaks experienced in the last two years by a number of major European banks. The lack of knowledge about the benefits of online banking is increasing fast, as an effect of the promotion campaign launched in the last three years by many banks and financial institutions.

For the clients, the four main reasons to avoid online banking services are [3, pg. 12]:

- ✓ security : 25%
- ✓ their bank is not offering online services : 20%
- ✓ they prefer the personal contact with the bank : 18%
- ✓ the benefits of online banking are not obvious : 16%

According to a survey by Deloitte Consulting, less than one-third of customers rate e-banking as an important service, and of those only 22 per cent actually use it. A more discouraging fact for many banks is the fact that more than 30 per cent of customers do not even know whether their bank provides online services at all. Despite these problems financial institutions and analysts are optimistic

about the future of online banking. The solution to more popular online banking services is the education of the customer, the improvement of Internet security and the formulation of a better customer oriented offer

Recent research shows that 40 percent of US Consumers with Mobile Phones, Smartphones and Tablets, embrace the idea of using Mobile Banking. The studies identify major growth opportunity for retail banks to increase adoption of the internet banking products.

Not surprisingly, as shown before, the most significant barrier to widespread adoption of mobile banking is consumers' security anxieties around sharing financial information through a mobile device, according to the poll, which showed that 66 percent of mobile internet users would not bank regularly via a mobile app or mobile website due to these concerns. Only one percent of those surveyed most often use a third-party mobile banking app that was not provided directly by their financial institution. Both responses indicate that consumer trust in the brand is critical. Financial institutions must educate consumers on the security of their services, adequately brand their offerings and communicate trust to capitalize on the growing mobile banking trend.

Overcoming security concerns and providing robust functionality, however, are well within reach for organizations currently developing and deploying a mobile banking strategy. Survey results showed that:

- Within the offerings already available in the mobile banking market, nearly half (42%) of mobile internet users who have used mobile banking in the past said their most recent experience was positive and received the functionality they needed.
- In fact, 55 percent of mobile internet users have or would like to check their balance on their mobile device, while 43 percent have used or would like to view transaction history and 36 percent use or would like to locate the nearest branch or ATM, suggesting that convenience should lay a foundation for offerings that leverage the features and built-in sensors of smartphones and tablets to simplify consumers' lives.

US consumers' advanced adoption of mobile banking offerings and specific functionality demonstrate the region's relatively mature marketplace. A quick study of the top 10 US retail banks indicate that 7 out of 10 have both a mobile optimized website and a native mobile banking application available to consumers. Additionally, results of the YouGov Plc. Survey with Antenna, which also polled UK mobile internet users, found that the American market is ahead of the use of mobile banking services by 15 percent overall with 25 percent of UK mobile internet users using mobile banking. In both regions, however, consumers indicated that mobile banking offerings needed to demonstrate advanced security and practical functionality. While financial institutions around the world are reaching a growing number of consumers through current offerings, there is a significant opportunity for banks to develop and deploy a holistic mobile banking strategy to meet the needs of their entire customer base. Building on the existing security and basic functionality available in today's mobile apps and websites, organizations can establish a competitive advantage in the future by offering a full complement of mobile banking services that foster trust with consumers as they increasingly embrace smartphone-commerce.

Only 4% Romanians with a bank account use Internet banking. This is the result of an GfK Romania investigation in 2011 (is a study which measures the banking habits of people aged 15+ in 13 countries from Central and Eastern Europe: Austria, Czech Republic, Poland, Hungary, Croatia, Slovakia, Slovenia, Russia, Ukraine, Serbia, Macedonia, Bosnia Herzegovina, Bulgaria and Romania, the sample of respondents in Romania was 1.000 people, representative at national level for people aged 15+), which studies the Romanian citizens' patterns of use for online financial services, in comparison with those of other countries of Central and Eastern Europe.

Globally, there is a well defined trend of using these types of services. Despite this reality, Romania has one of the lowest penetration rates of Internet banking services in the CEE countries - 4% versus

42% in the Czech Republic, 34% in Austria or 13% in Croatia. Only Bulgaria is behind us, with 2% penetration.

From an average of 4.5 activities conducted on the Internet, 4.2 are for information, communication and entertainment, a small number of users accessing the Internet for transactions. Thus, a total of 9.6 million banked Romanian, only 4% check their account through Internet banking transactions and 3% are using this online service. A similar percentage of payments made online by credit card (3% versus 9% in Austria) or mobile phone payments (1.6% from 29% in Austria) and only 3% have purchased a financial service through the Internet.

In any field, the low level of familiarity with new technologies hinders their adoption, and online financial services are no exception. Even more, if their fears that prevent consumers try to make payment or to buy financial products online are higher than for other new services, because the perceived risk of loss is more acute. In addition, many Romanian people have not yet found enough motivation to make them relevant to get more informed and take the first step.

3. STATISTIC DATA ABOUT THE EVOLUTION OF THE INTERNET BANKING MARKET IN ROMANIA

The year 2010 proved to be extremely favourable for the activity carried on banks' Internet Banking services segment. All credit institutions which have been analysed (BCR, BRD, Raiffeisen Bank, Banca Transilvania, UniCredit Tiriac Bank, Alpha Bank, Bancpost, ING Bank, CEC Bank, Romanian Bank, Garanti Bank, Libra Bank, Romanian International Bank Millennium Bank and Bank of Cyprus) recorded significant increases in this field, confirming that the bank operations made in front of computer are not unknown to Romanian. The fact that the number of transactions conducted by Internet Banking service users has increased at a rate emphasizes the idea that the virtual interaction between bank and customer is not a fad, but has become a necessity. Among the most impressive developments that can be observed are increases of 250% of the portfolio and the growth of 580% for the number of transactions by legal entities reported by BCR. Very good results were registered by Garanti Bank and Romanian Bank, which moved very well last year to the segment dedicated to retail customers. If at the number of customers, BCR leads all charts, in terms of total transactions via Internet Banking, ING Bank “makes” the law.

Top of banks by number of customers of Internet Banking service [www.bnr.ro]

Place	Name of the Bank	Number of clients in 2010	The evolution of the clients 2010/2009
1	BCR	708.405	-5,00%
2	Raiffeisen Bank	380.000	30,00%
3	ING Bank	354.000	35,00%
4	BRD	338.100	24,00%
5	Transilvania Bank	143.090	20,00%
6	UniCredit Tiriac Bank	105.813	33,00%
7	Bancpost	49.401	33,00%
8	Garanti Bank	46.139	63,00%
9	Alpha Bank	37.800	2,00%
10	Romanian Bank (Group NBG)	16.530	75,00%
11	Libra Bank	14.300	40,00%
12	CEC Bank	11.823	40,00%

At the end of last year, BCR counted total of 708,405 customers for Internet Banking service, representing a decrease of about 5% from 2009, when there were 741,650 registered users. If the portfolio of individual users recorded in the period a decrease of 8% to 674,473, the segment corporate bank raised in 2010, 33,932 customers companies, making a jump of 250% compared to previously year. Retail users carried out during 2010, 2,964,626 of transactions (compared to 1,496,905 in 2009) with total transactions of 3.2 billion.

Last year, Raiffeisen Bank recorded an increase of about 30% the number of individual clients from 2009 to 380,000 users. They have performed in the period 860,000 transactions, representing an increase of about 20%. According to officials of Raiffeisen Bank, the total value of transactions made by customers of the retail segment through the Internet Banking service was in 2010 approximately 1.3 billion, up with 50% compared to the previous year.

The total number of customers for the Internet Banking of BRD was at the end of the year 2010, approximate 338.100 people, up with 24% to the same period of previous year end. If on the retail segment, the bank had 310,000 customers (25%), the corporate users include 28 100 (+25%). Individuals performed last year 1.4 million transactions (+61% compared to 2009), totalling EUR 281 million (+26% vs. 2009). On the other hand, companies have performed in the same period, 1.9 million transactions (+52%) in total value of 5,6 billion Euros. Compared with 2009, transactions in foreign currency registered an increase of 52% and those in RON maintained at a similar level.

At the end of 2010, Transilvania Bank had a total of 143,090 customers for Internet Banking service, , recording an increase of almost 20% over the previous year. Portfolio of retail customers consisted of 114 830 individuals (22.73% vs.2009), while in the corporate bank had 28 260 users (9.70% compared to 2009). Individual customers conducted last year 1,005,095 transactions (56.53% compared to 2009), totalling 1.99 billion lei (44.59% compared to 2009). On the other hand, companies have realized in the same period, 1.995.115 operations (30.03% compared to 2009) in the amount of 15.46 billion lei (+49.51% compared to 2009).

The Alpha Bank's Internet Banking service customers were on December 31 2010, in total amount of 37.800 persons, in increase with 2% to end of the year 2009. On the retail segment, the bank had at the end of 2010, 24.900 users (maintaining constant over the same period of 2009), while the portfolio of corporate clients recorded, in the same period, an increase of 4%, totalling 12.900 users. Residential customers have carried out during 2010, a total of 260,000 transactions, up with 33% from 2009. Total number of transactions made by companies was in the same period, 1.25 million, remaining constant compared to 2009. Total value of transactions carried out by individual users was, in 2010 1.3 billion lei, a jump of 116%. On the other hand, companies have realized during 2010, transactions of 25.5 billion, recorded an increase of 40% compared to 2009.

Total ING Bank customers for Internet Banking service were at the end of 2010, over 354.000 persons, up with nearly 35% since previous year, when there were 263,650 registered users. In the same period, the bank has over 350,000 individual clients and 4,000 companies, compared with over 260,000 users and 3650 retail businesses in 2009. During the previous year, individuals have performed over 5 million transactions (66% to over 3 million transactions in 2009), totalling over 6 billion and over 180 million, compared to over 4 billion and more than 130 million Euros in 2009. ING Bank corporate customers have conducted in 2010, 4.3 million transactions (5% vs. 4.1 million transactions in 2009), totalling 85 billion and 6.7 billion Euros, compared with 75 billion and 6 billion Euros in 2009.

As alternative to the classic system of payment, the fees attached to the virtual access are usually cheaper than the ones of the classic services (with 15% at Romextera, 25% at BRD and Libra Bank and till 50% at Raiffeisen Bank and at HVB Tiriac. At BCR there are no differences from classic services).

A major part in convincing clients in using remote banking services is being held by the inclusion of demo applications on banking institutions sites which simulates the mode in which transactions are progressing.

Such modalities have the advantage of offering a plus of confidence for the potential user and at the same time, it keeps him away from the unpleasant situation of observing on his own expense that the bank's application is, maybe, too complex or too hard to use, and so the initial expectations are only partial satisfied.

Only 1% of the users of financial services within Romania currently use internet banking. Most of the users of financial services use current accounts in lei (39.54%), term deposits (29.77%) and cards for taking cash from ATM's (27.36%). According to the quoted source, per ensemble of the over 15 years population, 64.41% of the persons do not use any financial service, 14% use current accounts, 10,5% - term deposits and 9,7% - cards for taking cash from ATM.

Still, an important role in promoting bank products and services, but also for making transactions, shall have, according to the market researches, automatic banks or call – centres (phone lines where clients can get information regarding the bank offers and can make banking operations). Regarding the bank's distribution channels, the main shall be the branches and agencies network. And internationally, after a few years in which it had been thought that the Internet shall replace the network, the market reconsidered the role of bank units.

4. MARKETING RESEARCH CONCERNING THE INTERNET BANKING MARKET

In most developed countries, e-banking services are automatically offered together with other banking products due to their popularity among clients. In Romania, distance payment is still practiced only by those companies and persons that have a certain banking culture, internet and computer.

The present international tendency is to significantly reduce the importance of the distribution channels of the classic banking network. When attracting new clients and keeping the existing ones, active banks in Romania cannot dissociate from the existing tendencies. The first steps made in this direction were made by launching the activity with cards, and more than that, the distance banking services (by internet or wireless technologies, with the help of mobile phones) become a real banking service. That means that Romanians have acknowledged the importance of this phenomenon.

After analyzing the capacity of increasing the distance banking services made by the banking marketers, the following things were observed:

- ❖ a consumer out of three never goes to the bank unit and therefore he cannot be considered a target consumer;
- ❖ the interviewed consumers considered that distance banks represent the most adequate interface for current operations;
- ❖ although clients are faithful to the traditional agency, one cannot exclude in the future to try new methods that could allow them a much more comfortable approach of services;
- ❖ the rapid growth of internet users leads to the promotion of distance banking;
- ❖ the dynamization of the account number is exponential, so we assist to the democratization of banks by making them closer to the population.

Distance banking services present a major impact upon banking companies and clients having advantages on both sides [4, pg. 6]. Each bank client must go to a bank unit at certain periods of time, hardly facing the urban traffic and the front-office queues. But with distance banking services, clients can operate their transactions from their office, from home or anywhere else with the help of an Internet connection. Studies indicate that, between 9-11 am, 22-23% of the total volume of online visits is made by those who access the banking sites. The second peak is between 5-7 pm when 13-14% of the total connections at the end of the day and after the closing of banking agencies. The permanent access to their accounts, mainly at the time of the front-office opening, which are still constraining especially for those who work, comfort, discretion and time gaining constitute real advantages for the clients. As far as on-line products and services are concerned, banks promise to provide accessibility, availability, commodity and rapidity.

As concerning the commission's specific to these types of services, they are more reduced than the classic ones because of the banks' desire to promote them. At European level, according to the Forrester reports, the cost of an online transaction is of approximately 14 eurocents while a transaction made through the bank unit costs approximately 2 euro.

The migration at worldwide level from transactions made on paper to the electronic ones gets deep implications on the economic development, Thus, electronic transactions imply lower costs than their equivalents in cash, stimulating the consumer to reduce his expenses and increase the volume of bank deposits in the economy,. This type of services cannot constitute real “access keys” to the banking system for the people who do not currently work with banks.

In spite of all this, clients do not easily give up inter-human relationships when asking for a banking service, choosing to go into dialogue with the bank representative at the front-office.

In order to promote on-line services and products, banks consider two segments of target-clients, on the one hand the students, and on the other hand, the active population with secondary and high studies. Most banks have created sites which help them inform the clients about the products and offer on-line financial-banking services.

The limited utilization of banking internet services is also caused by the fact that the large Romanian banks have been too late involved in this segment. Having extended territorial networks, these could have promoted more easily e-banking services and this could have led to the attraction of a greater number of on-line customers.

The main things that clients do by means of these instruments are:

- The possibility of opening accounts and credit cards;
- The possibility of transferring funds between the accounts of the client (card, deposits, current accounts);
- The possibility of realizing payments in any currency using, inclusive the exchange;
- Finding out the details about the situation of the personal accounts.

To ensure a high level of safety, Internet-type services are developed on infrastructure that respects the international standard of safety on information. From the moment of connecting the authorized clients, any date exchange is made under a secure protocol, using keys and encryption algorithms. Some banks available to customers’ special devices physic security attached to the computers.

The authentication of a client can be achieved on levels:

- ✖ User name and password
- ✖ Digital certificates (for example the electronic signature used by some commercial banks)
- ✖ Hardware tokens (strong authentication mechanisms).

Internet banking systems besides the fact that can be accessed from any corner of the world, provided you have an internet connection, does not require relocation specialists bank for the connection and assembly but only the existence of a personal computer that the client can use.

5. A SURVEY REGARDING THE DEVELOPMENT OF NEW INTERNET BANKING APPLICATIONS FOR SMARTPHONES

According to a recent research, 61 million households regularly use Internet banking today, and 82 million online banking households are expected by 2012. For Internet banking users, online banking services are the third most important driver of financial institution selection, falling just behind rates/fees and customer service. These days, it’s not good enough to simply offer online banking services, however. To maintain existing customers and attract new ones, financial institutions need to keep their offerings up to date with the latest features.

Who are these customers? They are younger, wealthier and more desirable than the average banking customer. Javelin reports that 89 percent of young adults have tried Internet banking, with 53 percent reporting they had banked online within the previous seven days. Considering 30 percent of online bankers aged 25 to 34 join to save time and 21 percent join to get more control over their finances, financial institutions must ensure the capabilities of their Internet Banking Solution proficiently

deliver on these customer needs, especially as younger customers gain more and more financial responsibility.

In order with all the aspects mentioned before, it was made a study among the users of BRDNet and they had to answer if it's a real must to develop the actual internet banking solution to one that can be used on smartphone's.

With the growth of the Smartphone market and along with it, the mobile app market, the overall market has been appraised as a competitive one. The worldwide smartphone app market is forecasted to grow from 6.8 billion US Dollars in 2010 to 92.5 billion US Dollars in 2013, roughly a four times. Increase Smartphone platform competition hinges on how active and invigorated the application market is made to be.

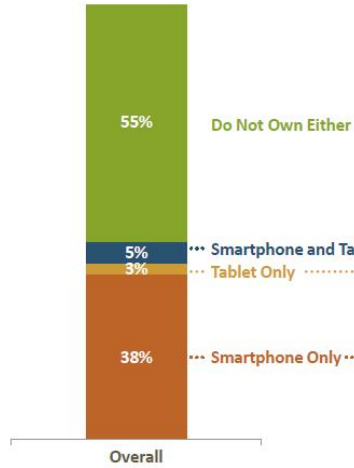
To determine user intentions to adopt Internet banking and actual usage, a survey was conducted. Data was gathered on personal banking customers of 12 banks across Romania that also provides Internet services. Participants in this study were all customers at the bank where the data collection took place. Participation in the study was voluntary but limited to those customers who had at least one account with a bank. A questionnaire, using a seven-point scale, was employed to gather data for the constructs of the research model.

A total of 425 usable responses were obtained, with no missing data. 49 percent of the respondents were male, and 51 percent were female. Moreover, 81 percent of the respondents had over one year of experience of using the Internet. In terms of experience with Internet banking, 34 percent of the respondents had more than one experience, and approximately 65 percent had usage frequency of at least once a week.

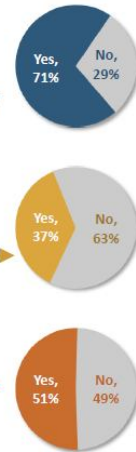
Profiles of respondents

Item	Value	Frequency	Percentage
Gender	Male	206	48.6
	Female	219	51.4
Degree of Internet experience	<1 year	79	18.6
	1-3	115	27.1
	4-6	159	37.4
	>6 year	72	16.9
Degree of Internet banking experience	0 times	332	66.4
	1-5	68	13.6
	6-10	27	5.4
	>10 times	73	14.6
Usage frequency of Internet banking	<1 week	278	65.4
	2-3	55	12.9
	3-4	24	5.6
	>1 month	68	16.1

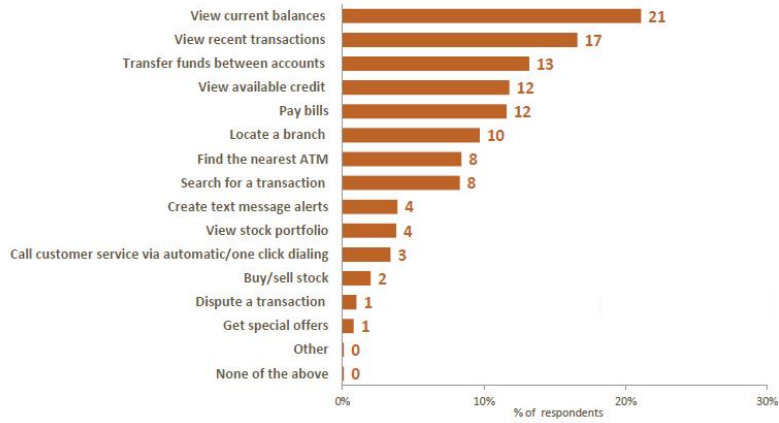
Which of the following do you own?



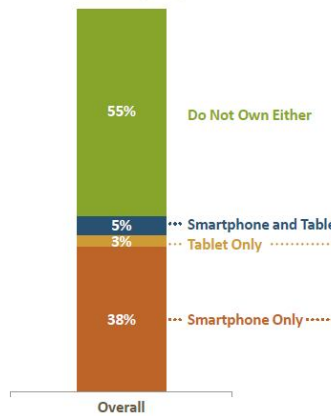
Do you use mobile banking?



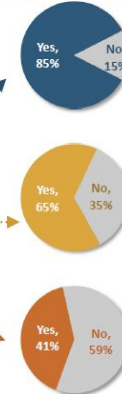
Mobile Banking/Investing Activities Done on Smartphone or Tablet

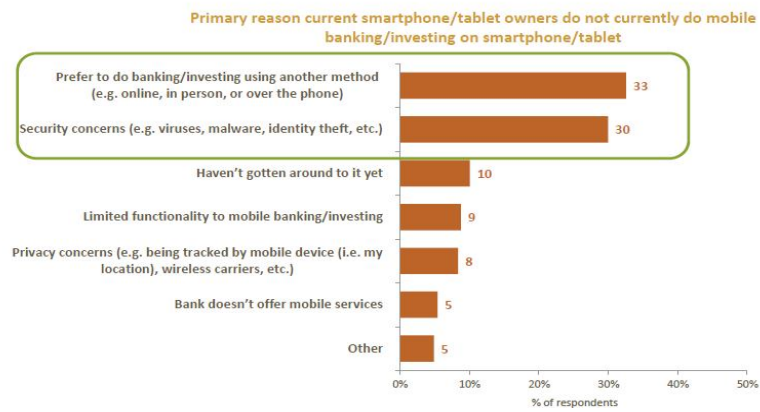
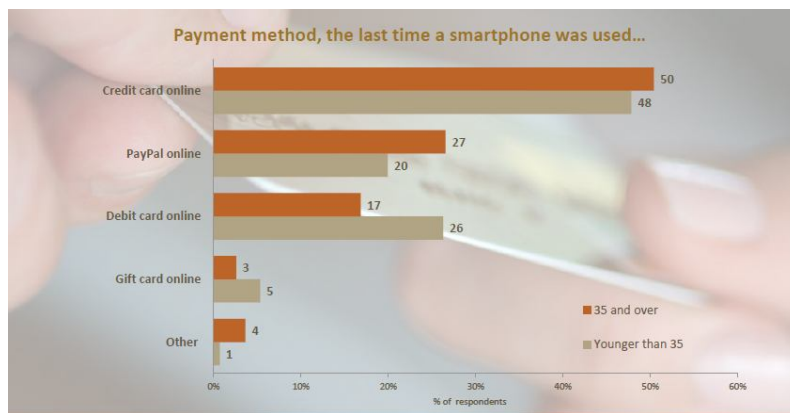


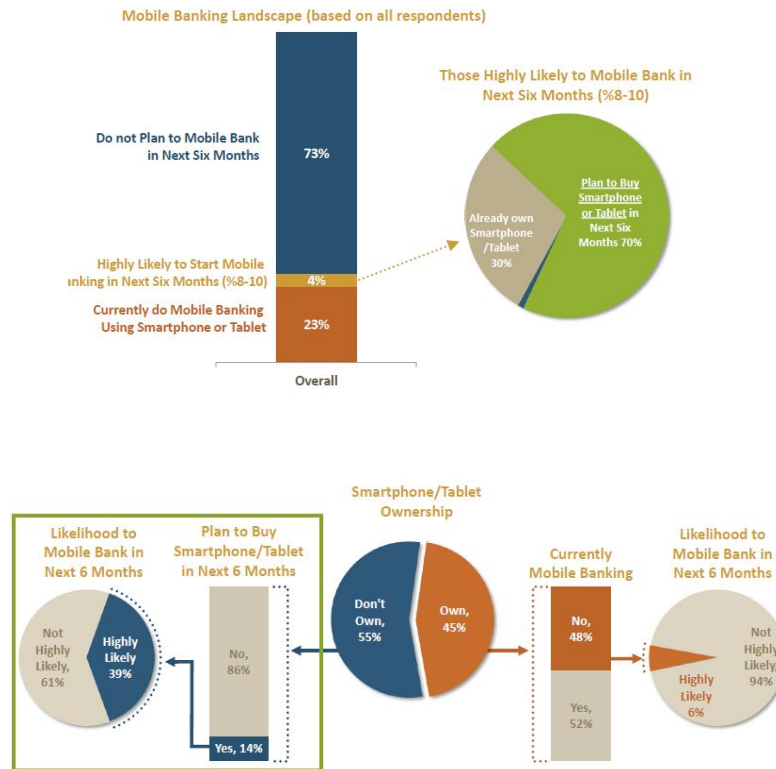
Which of the following do you own?



Have you shopped online via the browser or an app?







With the right Internet Banking Solution, financial institutions can alleviate the limitations and challenges they are experiencing with their current system. In effect, the institution can save significant time and money, while greatly reducing the risk of losing valuable customers due to an inadequate solution.

For many small- and mid-sized financial institutions, an outsourced solution makes the most sense. Excellent, ready-made options are available to enable these institutions to offer the functionality their customers demand without expensive internal development and ongoing maintenance requirements. An outsourced solution not only reduces costs, but also increases flexibility and security.

The first criterion when researching an outsourced solution should be high availability, with documented uptime statistics of at least 99 percent. An optimal solution will also include a call centre for account holders to easily contact with questions or concerns. While most Internet banking providers expect financial institutions to take their own calls, some providers offer post-conversion, 24/7 customer support directly to the institution's customers. Financial institutions typically choose the duration that the provider operates this call centre, which may be as brief as six months.

Features and functionality are the next most important decision criteria. Before selecting a provider, the financial institution should have a solid understanding of their "must have" functionality. Assessing vendors based on the breadth of their offerings is critical. It's not enough to simply check off the specific features that are being sought. Financial institutions need to understand a potential vendor's recent product enhancements, as well as their product roadmap [5, pg. 10]. Financial institutions must be sure to select a partner that will move them forward as customer needs and technology evolves.

An optimal Internet Banking Solution also integrates as many end user offerings as possible, from e-statements to check imaging to cash management to mobile banking. This integration provides a seamless, efficient experience for the user. Additionally, the solution should integrate effective security, anti-fraud and risk analysis tools. The online channel already promotes security by enabling

frequent monitoring of account activity and superior alerting capabilities. Along with security, anti-fraud and risk analysis tools, financial institutions can effortlessly offer customers a fraud protection guarantee.

Pricing, of course, is always a key selection criterion. Although rare, there is Internet banking providers that offer customized pricing packages. Depending on the quantity of users, institutions may wish to pay a fee per user or a flat fee [6, pg. 8]. Notably, most providers charge for all registered Internet banking users, regardless of activity level. Conversely, a better pricing model automatically tracks activity and only charges for active users. Smaller financial institutions typically prefer paying per active user, while larger institutions with an extensive number of users typically prefer paying a flat fee.

In addition, an optimal solution provides all of the audit and reporting documentation that financial institutions need. As audit trails are synonymous with bank technology, financial institutions require an Internet Banking.

As financial institutions grow, their Internet Banking Solution must grow alongside them to continue to meet their business goals and their customers' needs. With an integrated solution from a premier provider, they can smoothly integrate additional modules over time, allowing for flexibility and scalability.

There are ample opportunities for financial institutions to boost the adoption of Internet banking, not only by offering customers the kind of service and capabilities they want, but also by implementing a solution that they can count on. With careful, conscientious planning before even approaching prospective providers, institutions can properly evaluate them based on their ability to cost effectively provide a comprehensive, reliable and secure solution.

Choosing an optimal Internet Banking Solution is the first step in achieving new levels of success with online bankers; choosing a provider that can minimize the impact of the conversion process is the second. Financial institutions considering a conversion to reduce costs and enhance efficiencies while building a competitive edge through Internet banking must first determine if the conversion is financially feasible. Then, the institution should develop a detailed plan with strategies for a successful conversion. This plan should include a thorough analysis of all providers.

By following these nine best practices for Internet banking conversion, financial institutions can circumvent challenges and successfully execute the conversion process:

1. Assess the contract terms with existing Internet banking provider. A financial institution may wish to terminate the contract if there is little time left on it and the early-termination penalties are minimal. If there is a significant quantity of time left on the agreement, the institution may have no choice but to postpone the conversion until the contract expires. Notably, some agreements contain a breach of contract clause covering issues such as significant downtime or failure to provide needed features - which may make it easier for the institution to terminate the agreement without incurring a penalty.

2. Develop a conversion timeline. Specifically, banks must determine when to:

- a. Review the various providers' offerings
- b. Select the new Internet banking provider
- c. Negotiate the contract with the new provider
- d. Develop a detailed project plan for conversion
- e. Develop a marketing communication plan, including a launch strategy

3. Conduct a gap analysis. Financial institutions should carefully review the features and functionality of their current solution, and then look to avoid online bankers to help determine the

features and functionality the new solution should include. This can be accomplished by personally contacting these users and asking them to participate in a customer advisory group with internal staff. Using a matrix format, the institution can include the prospective providers, list each of their solution's features and functionality, and then thoroughly evaluate the offerings based on customer priority. The matrix may also include uptime, service response time, issue remediation time, hours of operation and other significant variables.

4. Define key decision-making criteria. For instance, does the financial institution want the fastest to-market solution?

The institution must clearly outline the key decision-making criteria and then qualify the Internet Banking Solution offerings based on these criteria.

5. Consult reputable references on reliable Internet banking providers. Leading research companies, well-known trade publications, industry analysts and esteemed colleagues are all valuable sources for recommendations. The financial institution should only consider providers with multiple core processor relationships and request at least 50 references each for a well rounded, accurate depiction of their service. The reference list should include 10 or more clients who have recently converted to the vendor to provide information on vendor management of the conversion experience.

6. Determine the data required for a true conversion. There are certain key files that contain customer account information, such as history, check images and pending transactions, which the financial institution must obtain from the existing provider to smoothly transition end users to the replacement Internet Banking Solution.

7. Nail down the actual cost of conversion. Conversion costs can vary extensively, depending on the provider, the asset size of the institution and the estimated level of difficulty. Institutions should carefully examine the contract terms and fees offered by the potential provider, and find out the cost of getting the conversion files from the incumbent provider to avoid any surprises.

8. Meet provider requirements. Once a new provider has been chosen, it is critical the provider do an assessment and clearly communicate what it needs from the financial institution to ensure a smooth conversion. These requirements, which are normally minimal, can include getting conversion files from the incumbent provider; assigning a dedicated project manager to the conversion process; and confirming IT infrastructure details (e.g., Internet connectivity speeds, firewall protection). As long as these requirements are met during the conversion process, issues can be avoided.

9. Develop a marketing communications/rollout plan. Due to the intimate nature of Internet banking, it is vital that institutions inform their customers of the upcoming conversion immediately and repeatedly promote the conversion and the new solution using multiple delivery channels - ATM, direct mail, Web site and e-mail. This will help maintain healthy customer relationships. The messaging should increase awareness of the conversion, while presenting it in the most positive way possible. For example, the institution may choose to communicate the enhanced features the new solution will offer, such as personal financial management. If the conversion requires action from the customer, the financial institution needs to clearly communicate these requirements, no matter how insignificant.

The institution should expect an initial call spike in response to the marketing activity. For this reason, it should consider an outsourced provider that can provide temporary call centre services to manage the incoming callers during this time.

Despite the issues that many financial institutions are experiencing with their current Internet banking providers, some are hesitant to convert due to the following concerns:

Customer impact. Conversion to a new provider means various changes to the existing Internet banking system. Financial institutions are extremely concerned about losing customers averse to these changes (such as the discontinuation of features they use), especially because it involves a solution that customers interact with intimately.

Increase in internal workload. Due to the frequent need to address new federal regulations, many financial institutions fall behind on their existing IT workload. The thought of adding to this with the uncertain time and resources required by a conversion deters many institutions from even evaluating their conversion options.

Cost. Apprehensiveness about the cost of a conversion is especially worrying to financial institutions with significant time left on their current agreements with Internet banking providers. Institutions must determine if they can offset termination penalties and other one-time costs before undertaking a conversion.

The fact is, most of these concerns can be mitigated by careful vendor selection, conversion planning and customer communication. While most financial institutions focus on the downsides of conversion, many are not adequately quantifying the risk of customer loss due to maintaining the status quo. Hundreds of financial institutions convert their Internet banking platforms every year, with the majority of conversions going smoothly and resulting in increased customer satisfaction. Since the financial industry first introduced Internet banking approximately a decade ago, many financial institutions have outgrown their existing Internet banking provider. While it might have been acceptable five years ago to offer an Internet Banking Solution with only basic functionality, this is no longer adequate. If a financial institution's multiyear agreement has been fulfilled or is approaching expiration, it is time for the institution to re-evaluate its existing provider based on the following:

Service and support, comprising sustained Web site uptime, fast response to service requests and live frontline customer support—possibly through an outsourced customer contact centre. Service and support are crucial for satisfied account holders. If an institution's Internet banking system is routinely out of service, it may be difficult for it to build and sustain a user base. With enhanced service and support, financial institutions can provide a higher level of service to their customers.

Systems integration to seamlessly merge the financial institution's existing systems, applications, processes and data, thus streamlining operations and eliminating redundancy within the organization. These results in a more comprehensive account presentation to online bankers, requiring only one username and password to access, integrated with capabilities such as electronic billing and payment, and online brokerage services. Financial institutions should consider an integrated Internet banking solution that consolidates multiple modules, from retail to cash management to bill pay to e-statements, into which a provider can also build an effective fraud protection component with multifactor authentication for security on all channels.

Cost. Naturally, financial institutions are interested in keeping costs down. Internet banking providers commonly charge for all Internet banking users, rather than for only active users. It may make financial sense to convert to a provider that offers an alternative pricing model.

Availability of features and functionality those customers truly desire, including more advanced Internet banking capabilities such as PFM, mobile banking and alerts. While many financial institutions would like to switch to an Internet Banking Solution that better fits their needs, they may have concerns that converting to a new solution might be difficult to achieve.

The main sources of profitability include increased customer retention, reduced transaction costs, and improved cross selling opportunities [7, pg. 15]. In the vast majority of cases, Internet banking did contribute positively to banks' bottom lines. It was only in the cases of extremely small banks (with fewer than about 10,000 customers), as well as in cases where the penetration of Internet banking

amongst the bank's customer base remained unusually low, that negative returns were identified. The major areas of benefit of an Internet banking offering included:

- ✘ Additional revenues from transaction and user fees for on-line bill
- ✘ payment, lending, cash management and e-commerce portal offerings;
- ✘ Cost savings and improved operational efficiency;
- ✘ Opportunities for acquiring new customers and cross-selling new services to existing customers;
- ✘ Improved ability to retain customers.

The costs of outsourced e-banking incurred by a financial institution include onetime implementation or set-up fees and on-going monthly fees. Fees are set according to an institution's total asset size, total number of customers, and number of e-banking users. Institutions offset these costs by charging service and transaction fees back to its customers.

CONCLUSIONS

Internet banking has come a long way since first-generation solutions were introduced. Typically, these older solutions merely allow customers to view their statements online, conduct transfers between accounts and pay bills to utility providers, telephone companies and financial institutions. Over time, online bankers have started demanding more from their Internet Banking Solution - especially younger customers who are used to instant access to information. Fortunately, there are now comprehensive, secure, high-performance Internet Banking Solutions available that meet their many financial needs - reducing the costly risk of losing online bankers to the competition.

Customers are looking for added functionality in multiple areas. Enhancing customer access to statement history is critical. Three of the top online banking institutions supply seven full years of statement history access. Easy access to online statements enables customers to research transaction history and also helps deliver the peace of mind required to migrate to paper statement suppression - a key cost benefit to banks.

One of the most important challenges for Internet Banking refers to consumers' security. Insurance necessity has proven to be one of the biggest barriers in adopting Internet Banking. Demographic factors influence was considered to be significant for the adoption of the Internet Banking. The sex of the person is also considered as an important factor of adopting Internet Banking. According to the studies, the adoption service is dominated by male. Developing a strong Internet and mobile telecommunications did not shun, fortunately, Romania, such as a series of industries can benefit from major new technologies. Thus, banking industry has come in recent years with a new market: the launch of electronic banking services, an alternative to classic banking services, which involve the customer at the bank counter.

The whole range of instruments of payment to the remote allow the user direct access to its funds, making payment or transfer of funds, with these instruments can be achieved information regarding accounts and operations made by the user.

Although electronic banking can provide a number of benefits for customers and new business opportunities for banks, it exacerbates traditional banking risks, especially security issues. Also, we cannot ignore the fact that the aim of Competitive Intelligence programs is to harness disparate information resources in order to enhance the competitiveness of the financial institution while eroding the competitive advantage of its rivals. This information is often acquired through legitimate/ethical means and covert methodologies involving economic espionage.

The key drivers to achieving profitability for an institution implementing electronic banking for smartphones are:

- The ability to increase site traffic to increase cross-sales and transaction activity. This is influenced by the “site stickiness” value of an institution’s e-banking Web site and by the successful adoption of target marketing tools and data mining techniques;
- Migrating simple, but labour-intensive banking activities to the Web including funds transfer, account balance and rate inquiry, stop payment, check ordering, address change requests, etc;
- Increasing on-line bill payment penetration;
- Streamlining the loan application and fulfilment process;
- Utilizing a portal to provide pro-active services to Web users who tend to be an institution’s most profitable customers;
- Lower customer acquisition costs;
- Improving customer retention.

In conclusion, Smartphone Internet Banking is no more a “new instrument” or a “new toy”, it is a product and also a service with a strong growth in the next two-three years, as fast as the IT and smartphone market grows as fast.

The question raised was whether or not Smartphone Internet banking is profitable. Clearly, the answer to the question depends on a variety of factors, and it is not possible to blindly state that Internet banking is always profitable.

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Legal Devices to Manipulate and Change the Will and Options of the Masses of Citizens in the Romanian Electoral System

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Motto

***There where the electoral system is flawed,
any discussion on democracy and state of law is
senseless***

Abstract: All along these 21 years since the Revolution from December 1989 Romania has been going through an involution process, whose result is more than obvious if one looks at the poor condition of the country nowadays. It is not only the economy, the infrastructure and the institutional basis of the state that were demolished, but it is also the population of the country that witnessed a gradual alteration from a qualitative point of view. Under these circumstances people in general no longer regard the values of democracy as a source of trust and hope for a future, in which public affairs could be managed by responsible, talented Romanians dedicated to the national interest. In all these years Romania was governed by foreign forces, who in order to stick to power used, among others, strategies to cheat the electorate and to forge the final result of each election. Law 35/2008 corresponds, in its content, to this type of policy. Since it represents an incredibly serious attempt to suppress democracy and the state of law - which is easy to notice by simply comparing its provisions to the European Guide on Electoral Good Practice - the responsible authorities of the European family, to which we also belong, should have gotten wise to this fact, so that our peripheral position could remain only from a geographic point of view, and not in what concerns other criteria, as well.

Keywords: politics, political power, governance, administration, rights and liberties, political rights, representative democracy

Introduction

As a form of government characteristic of the modern age, representative democracy is the result of the development of certain medieval institutions, such as for instance the gatherings or councils presided by the monarch or the various associations created to defend some group or category interests. It evolved towards national forms of organization and political ruling. Gradually one also created specific institutions with the precise purpose of ensuring a faithful representation in the act of government of the interests and goals of the citizens. They have always been placed between two opposing gravitational centers, i.e. the public interest on the one hand, and the temptation of governing in the sole interest of the minority in power, on the other hand. Against such a way of government the large masses of citizens have quite often rebelled so far. Popular movements, quite often resulting in the violent removal of some unjust, discretionary and abusive men in power, have stimulated political thinking and the practice of government so as to find safer solutions for the loyalty of powerfactors and the efficient management of public affairs.

This is how the modern electoral system was born, which by removing the historical restrictions introduced along time with the purpose of maintaining the electorate under the control of power factors, allow today all citizens to freely express their will in what concerns the candidates to public functions and the problems of the whole community. The fundamental requirement of this system is that the electoral and eligible will of each individual in part should be restricted only on rational grounds. The guarantee of a government according to the will of the people lies in a group of their representatives, its efficiency being ensured by a reasonable number of elected officials who are responsible in front of this group.

Under the conditions of the nowadays political life, the credibility of power is based more and more on its democratic legitimacy. The essence of the democracy is the faithful representation of the will of the electorate in the act of governing. In other words, everything that the political power does should have the consent of the large masses of people. Therefore the political power (Parliament, Govern, all the other administrative structures) should first of all have a composition according to the will of the electorate and second of all the effective governing of the country should observe the political program for which the citizens expressed their votes.

In order to achieve this goal, one should first and foremost have free elections. This means that the management of the whole electoral process should be done in such a way, that the citizen is correctly informed on all political offers competing for power, his option being based on the certainty that the political party or candidate chosen present enough guarantee to fulfil their political program and promisses. Only in this way can there be a responsible relation between the elector and the elected and it is only in this way that political projects and promisses would have more chances to be fulfilled.

I. Representative governance as objective and end-purpose of the electoral system

In order to deal with the issue of the electoral system, one should first establish some traits of the representative governance, since it is precisely this way of exercising power in a state that represents the basis of organizing the voting system, by which citizens elect those to manage public affairs for a certain period of time.

From ancient times and up until the present-day humanity showed a constant preoccupation towards the political organization and leadership of community structures. Even if this preoccupation was more or less intense, as a result of the variable features of the power forces, of the conjuncture features and of the level of maturity of the society, still it knew an ascending evolution in time.

Political thinking and practice, stimulated by the precariousness of governance itself, never ceased searching and coming up with new ideas and formulae, so that public affairs could be better managed benefiting the large masses of citizens. Aspirations towards better governance may be considered a social constant; when it comes to practice the tendency was basically the same in all times in history, i.e. promoting power structures and forces in which the priority was the will of the people, considered a guarantee for common well-fare and social balance[1].

This thesis I believe represents the basis of democracy, as well. That is why any analysis of the political organization of the society should not ignore such a criterion. It would actually be unscientific in a conceptual analysis of the state of law to ignore the fact that this form of institutional organization of the state required a long period of democratic evolution of the society. [2]

There are two forms of democratic governance – direct and representative. [3] Direct democracy is a system of governance, in which public interest decisions are made directly by the people. [4] However, in order for the whole population to take part in the decision-making process, one would first need certain logistics and an organization system that would allow consulting each individual in part in any problem of public interest. These individuals however would also be required to possess a certain civic spirit and minimum political knowledge, without which they would not be able to deliberate, so that the decision adopted could indeed be the best to satisfy the specific public interest.

Considering these entire requirements one could only practice certain forms of direct democracy in small communities situated on small geographical areas.

On the national level the typical form of direct democracy is the referendum, by which the political power addresses directly to the people, without intermediaries, in order to consult the population in major issues such as adopting the Constitution, choosing the governance type, self-determination as state or nation etc. However given the fact that a referendum requires great organizational and logistic

efforts (material and financial), it would be counter-productive to appeal to such a procedure any time a decision on public affairs needs to be made.

Moreover one should emphasize the fact that if the guiding lines of the inner and outer policy of the country could be decided by referendum, the decisional acts on fulfilling these objectives, on the other hand, could only be applied by the authorities of the state, in which case direct democracy ceases to exist, its place being taken by the other type of democracy, i.e. representative democracy.

Representative democracy, unlike the direct one, is a form of political organization, in which the people express their will by means of some elected representatives. The exponents of this form of governance draw the attention on the fact that the population of a country may have a pretty clear idea on their purposes in public life; however in what regards the necessary means to achieve these purposes, the ideas of the population would be vague. It is therefore justifiable to assign these tasks to representatives among the „brightest” citizens [5].

As a form of governance specific to the modern epoch, representative democracy is still the result of the development of some medieval institutions, such as for example the gatherings presided by the monarch or the various associations created to defend certain group or category interests². It evolved towards national forms of political organization and leadership, creating institutions that would facilitate a faithful governing representation of the citizens' interests and goals. That is why one noticed the need of a voting system in which the elective and eligible will of each individual is not limited, allowing the election of a gathering of the people's representatives and of a number of officials that are to be held responsible in front of this gathering.

This thinking line was also adopted by the most famous political scientists[6] of the modern age. For instance Montesquieu noticed in his „Spirit of the Laws” that in a large state, the people cannot gather in a legal body, but can choose representatives to do what they themselves cannot do. In 1820 J.S.Mills proclaimed the system of representation as a great discovery of the modern age[7]. Commenting upon the consequences of adopting this system the political scientist R. Dahl emphasized the fact that in this process governing the people extended from small states towards larger states[8].

In the new democratic frame one may notice new ideas on the rights and liberties of the individual. The problems that could not be solved within a city or a fortress could now be dealt with by a government drafting laws and regulations for a larger territory. One actually passes to a pluralist political system capable of representing the diversity of the citizens' interests.

On the other hand one should also emphasize the fact that each society tends objectively towards democratic forms of organization and leadership. Even in the case of dictatorships one may also notice elements belonging to democracy. All political systems and forms of governance that mankind has known so far have been and still are more or less marked by democracy, in other words by the idea that governance, regardless of its origins and determinations must take into consideration the interests and will of the people, from which actually pressures never cease.

Under the circumstances of the contemporary political life, the credibility of the power is more and more based on its democratic legitimacy. The essence of democracy, as it has already been shown, is the faithful representation of the will of the electorate in the act of governance of the society. In other words everything that the political power does should have the consent of the whole population. Therefore first of all the political power (Parliament, Government, all the other administrative structures) needs to have a composition according to the will of the electorate and second of all the governance itself of the country should be done according to the political program for which citizens gave their vote.

In order to come to this stage elections need to be free. This means that the management of the whole voting process needs to be done in such a manner, that the voter is informed correctly of all political offers competing for power and that his option is based on the firm belief that the political party or candidate, for whom s(he) gives the vote, actually presents trust and guarantee to fulfill its political

program and promises. Only in this way could the elector and the elected build a relationship based on responsibility, thus guaranteeing the fulfillment of political projects and goals.

But as simple as it may sound in theory, the democratic governance of a society is highly complex and difficult in reality, because of the heterogeneous structure of the society, which leads to a diversity of contradictory and irreconcilable interests. One should also consider the interferences and connections between societies and within one society, to which one may also add at this beginning of the new century and millennium the disorders produced by globalization, especially due to its aggressiveness.

In conclusion, the idea of democracy, even if it is rather controversial and presents a whole series of deficiencies, most of the times proving incapable of providing efficient solutions especially when it comes to certain social phenomena that tend to get out of hand such as for example the issue of crime, is still to be preferred to any other form of governance, at least for the fact that anyway it guarantees more freedom to the individual. To many democracy may seem inconvenient and uncomfortable but one often tends to forget that freedom ultimately has a price. Its price, in a democratic system, is precisely the need for individuals to be on their own, obviously in a legislative frame in which the general interest and will prevail. The deficiencies of the system of governance and the insatisfactions of the population are not because of the democracy as a form of political organization of the society, but because of various disruptive factors that come up in any society and that have no connection whatsoever to democracy.

II. The exercise of the right to vote or power delegation

As it has been shown before, in modern times democracies usually work based on representative governance. This means that social life is transposed in the act of governance by certain persons, who are granted with the mandate to act and exercise power in the name and interest of the people.

The idea of representatively is essential for democratic governance. Governors, in exercising their public act of authority, do not have innate power but delegated one. Therefore, they should first of all be aware of this fact and should thus become responsible in front of the rightful holders of power, i.e. the voters. "All people that hold at least part of the power – according to the opinion of Edmund Burke in *Reflections on the French Revolution* – should be strongly aware of the fact that they act only by means of the delegacy given by somebody else and that they should be held responsible for their conduct according to that delegacy to the only great Master, Author and Founder of the society." [9] Such a thesis should be raised in any debate on the public act of authority. It shows us to what extent should the administrative decision of authority be legitimated by the citizens and if its purpose is the fulfillment of a public interest. In fact the measure of democratic governance is the social welfare it produces in accordance with the expectations of the citizens, this being actually the political mandate of the ones delegated with power and public authority.

Thus delegating governors represents the basis of representative democracy. If those adjudicating themselves the prerogatives of governance, are legitimated by an uncorrupted popular vote, they will also have the responsibility of the assumed commitments, which implies that there are greater chances that the governance generates the social satisfaction desired. However, the organization of the elections, so that the option of each individual in part can be eventually seen in the final result, is an extremely difficult activity. And this because a diversity of factors – such as may be seen almost on any poll – end up corrupting and influencing the will of the people and if this thing happens, it means that the power is no longer representative. The governance under such circumstances is only apparently democratic.

According to these reasons the guarantee of democratic governance is based first of all on a voting system thus built so as to allow the free expression of the political option of each citizen in part.

The quality of the governance depends on a variety of factors but the most important thing that nobody can deny is the human condition of those who end up having public positions of authority, as well as the extent to which such an assignment is the result of the electoral option. [10] Obviously voters may

be cheated in their expectations by the person delegated with power and from this point of view there is extremely rich experience, but when the mandate is obtained against the will of the people, by means of fraud, the danger of the official adopting an abusive and discretionary behavior is even greater, because in this case his responsibility moves from the area of the public interest towards a small group of individuals that took part in that electoral illegal process.

That is why designating governors becomes a fundamental issue of democracy and with all the long practice and experience of mankind along the time, not even today do we have an electoral system allowing and guaranteeing that any public position may be held only based on the uncorrupted will of the voters. [11] And it is not the achievement of such a system that would be a fatality, but it is the human will that willfully prevents its creation. The individuals in the area of power, preoccupied to keep and defend their privileges end up by all sorts of methods to pervert the will of the people and to legitimate with it in a false manner their political actions.

Unfortunately the electoral experience of the Romanian society after December 1989 does not emphasize any serious preoccupation in creating a viable system, which would allow public life to become democratic, and does not even emphasize any tendency to improve this system. Quite on the contrary each poll witnessed a variety and perfecting of mechanisms to cheat the electorate and fraud the elections. The direct and most serious effect of these practices is the discredit of the values of democracy and the removal of the electorate from the public exercise of power. From a massive participation to vote in the first years after 1990, the latest general and presidential polls had a vote participation of around 50%, a percentage which is debatable given the techniques by which electoral data and statistics may be altered.

III. Provisions of Law 35/2008 that are against the principles and regulations of a democratic suffrage

The electoral practice in Romania after 1990 has constantly improved, with every poll, when it comes to methods and “tricks” to cheat the voters and publishing results that do not match the real will and options of the electorate. The secret of the vote introduced in the modern electoral systems, with the purpose of allowing the voters to honestly express their options without the fear of possible consequences, turns out to be for the organizers of faked elections an excellent camouflage of the actions done in this respect. After the elections no one is able to thoroughly investigate the real way in which the people voted, so as to establish whether the final result made public indeed reflects the real option of the citizens. If the vote were open, then each voter could control his/her ballot and see if his/her option is reflected in the final result, according to his/her will at that moment. [12]

Generally speaking the actions of distorting the results of elections have always been opposed to the legal frame. Some of these, due to the degree of danger produced, have actually become really serious crimes. Unfortunately neither the law, nor the judicial practice has reached a stage of adequate assessment of the degree of social danger implied by faking elections. The unfortunate experience in Romania during the last 21 years shows that a person gaining a public position by fraud is capable of authority acts that not only contravene the public interest but that are also extremely dangerous for the entire society or community. The indifference of the authorities of the state towards such a legal reality is explained by the fact that these authorities themselves, due to their political touch, have in their turn become a product of these frauds.

But it is not only the electoral practices that went apart from the principles and values of democracy, but even the legal frame was thus created so as to allow the use of certain techniques to alter the vote of the people and to favor certain electoral competitors. Even though the legislation in the field has never been excellently rigorous, constant and clear[13], creating by its confused and contradictory texts the perfect frame to make use of the methods to change the result of elections, still the legal acts adopted recently and in use nowadays show an ever increasing tendency from the power factors to gain substantial advantages in any electoral competition, whether they are or are not accepted by the large mass of the population.

In adopting Law 35/2008, according to which the general elections for Senate and the Chamber of Deputies took place, one might state that one actually reached the climax in what regards the discretionary legislation, only in the sole interest of the political group in power at that time. One probably counted on the fact that Romania had just become a EU State Member and that there was no longer the risk of not fulfilling certain criteria to join the European Union. However one may wonder whether these criteria were actually fulfilled at the moment Romania joined EU, since such mentalities and practices have always characterized the political class.[14] Do we really have stable institutions that can indeed guarantee the democracy, the state of law, the human rights, the protection of minorities, as one of the Copenhagen criteria requests, if even the legal frame contains small groups of interests and does not answer the public interest, at least formally?

Nonetheless being a member of the European Council and a State Member of the European Union, Romania should adapt its legislation to the democratic principles and values these authorities promote and consider factors of progress and civilization.

Obviously, according to community regulations, each country has the right to decide on its own electoral system. But when this no longer observes the values that form the basis of the Union, then the community should no longer remain indifferent. And precisely this indifference raises serious question marks, especially if we take into consideration the fact that the above mentioned Law 35/2008, which is in fact the basis of our electoral system, seriously contravenes the *Electoral Good Practice Guide* drafted by the Commission for democracy – the Commission of Venice and adopted by the European Council by means of the Resolution 1320/2003.[15]

The whole law seems like a labyrinth containing confusing texts that do not allow one to become familiar with the conduct of the legislator, regardless of the techniques of legal interpretation, experimented along time and developed by the science of law. Nearly all its provisions raise such debates. But the most serious aspect is that when it comes to organizing elections, authorities are not at all prevented from any measures whatsoever. Anyone may actually observe that this legal act is the result of a serious legal compromise between political forces in power at that time. Could we really believe that the ones conceiving the project and then adopting the law were animated by the thought of coming up with a good law observing the democratic values, even taking the risk of a fair confrontation with the electorate and leaving them with no chances of gaining power again? The precariousness of their morality and the democratic failures of the governances are enough to prevent us from believing such a thing. The content of the law is in fact the best argument that the system was created to favor the political forces in power and also to defeat the natural opposition of the electorate towards governances that did not comply with their promises.

The analysis of some of the provisions of this law, by comparing them to the *Electoral Good Practice Guide* clearly shows us that the stake of this legal frame was so important for those political forces that they no longer considered the fact that their measure was a highly serious breach against the state of law and it compromised in the public perception the idea itself of democracy.

First of all, as one knows from the electoral practice itself, voting under good conditions, the clear and unaltered expression of the will of the electorate and the correct transformation of the results in Parliamentary terms of office all require good knowledge of the electoral procedure, as well. In what concerns this aspect the Guide mentions that the fundamental elements of the electoral law and the division of circumscriptions should not undergo any change at least a year before the elections. Any rules and procedures introduced in this period of time should not be known and should not be applied. In other words one considers that in this period of time the electoral competitors adopt their strategy and tactics according to the already existent legal frame. Changing this legal frame confuses the electoral competitors and brings them clear disadvantages when compared to the ones introducing the new rules to their own interests.

But the electoral law no. 35/2008 enforced by the President of Romania in March 2008 was modified by the Emergency Governmental Decree no. 97 from 29th August 2008, which introduced 92 changes

meant to create more confusion, and the map of the uninominal colleges was ended during September that year. The general elections took place on 30th November 2008, which was less than three months after the adoption of necessary legal acts.

The radical change of the voting system only eight months before the elections and especially its change throughout the last three months prior to the elections caused a precarious understanding of the system by the people in general, the press and the authorities and seriously affected the voting process. The presence of the voters was the smallest in the last 20 years. The people actually came at rest with the fact that the electoral process was in fact the result of an arrangement between the main political parties, so as to consolidate, by means of a great fraud, their positions and eliminate a fair electoral competition.

Even though this law has been severely criticized, including by those who contributed to its adoption, no initiative of change or amendment has been launched so far in order to eliminate those serious deficiencies from its content. The silence of the Parliament in this matter makes us believe that one wishes to maintain this system. The ones that are currently members of the Parliament are not willing I think to remove the system that allowed them to gain those positions in the Parliament, even though most of them do not have the necessary qualities for such public positions. Given the fact that up until the following election from 2012 there is only one year left and also given the fact that the changes that are so necessary in the electoral law simply do not appear, one may expect that certain changes will also be done short time before the date of the elections, again placing electoral competitors in a disadvantageous situation.

Second of all, in order to observe one of the most important features of the democratic vote, i.e. equality or equivalent power of votes, the Guide establishes that the differences between the numbers of voters of uninominal colleges should not be higher than 10%. The equality of the vote means, in the field of electoral rights, the great principle of equality in rights of citizens regardless of race, nationality, ethnical origin, language, religion, sex, opinion or political color, wealth or social origin.

In the political past in Romania one practiced various electoral techniques meant to value certain votes more than others. Such were for example the electoral geography, the electoral colleges, the pluralist vote or the multiple vote.[16] Unfortunately such „electoral techniques” were reactivated today and were even subtly introduced in the electoral law. Thus, when delimiting colleges one accepts, according to the law, differences of 30% and not 10%, as the Guide mentions. But the text of the law was further changed by the Emergency Governmental Decree 97/29.08.2008, which introduced the term „usually” 30%.

Because of this fact, when delimiting electoral colleges, one actually ended up having differences of 40% - 50% or even 100%. For example the colleges for the Chamber of Deputies number 16 and number 17 from Bucharest each had less than 47,000 voters, whereas other colleges included more than 90,000 voters. In the county Constanța the smallest college for the Chamber of Deputies had approximately 39,000 voters, whereas the biggest college had more than 80,000 voters. In the county Neamț the smallest college for Senate had 136,934 voters, while the biggest college had 222,134 voters.

This manner of dividing colleges, otherwise allowed by the law, is further completed by other tricks meant to favor political parties that created such a legal frame to their own interest. In fact in their electoral pools, being made up from several colleges, they could actually gain more terms of office. In other words the same number of voters, compared to other geographic areas, was given more terms of office, which severely breached the principle of the equality of vote. Moreover even the division of colleges was made based on political criteria, which was also a serious abuse. For instance in the county Iași the division of colleges was done based on the political color of the mayors, who actually became the most active electoral agents. The procedure, also known as “salamanderization”, was also practiced in the inter-war period.

On the other hand the equality of the vote should allow a proportional representation of the people in the Parliament, another fundamental principle of democracy. [17] This ensures a just balance between the percentage of votes obtained and the number of Parliamentary terms of office.[18] Furthermore it allows the representation in the Parliament of all opinions and interests directly proportional with the options of the voters, also ensuring the representation of minorities and the institutionalization of a rule of pluralism and of minority democracy. The minority has the real possibility of expressing and the majority the possibility to decide.[19] As it has been shown above in the elections from 30th November one practiced not a balanced relation but a formula, in which the real will of the electorate mattered too little.

Third of all, the Guide mentions among others that if one require a bank deposit when running for an office, that amount of money should not be too high and should be callable depending on a reasonable result of the elections.

According to the Romanian legislation, each candidate should open a bank deposit of 5 legal minimum wages. In 2008 this meant an amount of RON 2,500, i.e. approximately USD 1,000 or EUR 700. As one knows there are 315 terms of office for the Chamber of Deputies and 137 terms of office for the Senate, which means a total of 452 terms of office (plus 19 terms of office given to national minorities, thus a total of 471 MPs). In order for a party to run for offices in all uninominal colleges, it should have had an amount of approximately USD 453,000 or approximately EUR 316,400. This restriction actually made it impossible for many political parties, though Parliamentary, to run for offices in all colleges. On the other hand, in many situations this criterion threw into the background the quality of candidates and stimulated compromises with the business field, which is extremely visible in the human quality of the current Parliament, as well as in the professional and moral deficit of the institutions the Parliament created.

The obvious intention to eliminate from the electoral competition certain uncomfortable persons is also noticeable in the way such a criterion is handled in other countries. Thus in countries like Belgium, Denmark, France, Germany, Hungary, Italy, Luxembourg, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden candidates and political parties are not requested to open a bank deposit. And even in those countries where such a thing is requested, sums of money are a lot smaller than those required by the Romanian law. The only country comparable from this point of view is the United Kingdom, where the amount necessary is of GBP 500, which is approximately EUR 700. Unfortunately this is the only part where such a comparison is possible between us and UK.

Fourth of all, Law 35/2008 contradicts the Guide also in what regards the independent candidates. If the trust of the political parties is severely damaged, the independent candidates could actually attract a significant percentage of votes, which obviously the authors of this legal frame did not omit. Therefore, independent candidates were also obliged to open a bank deposit of RON 2,500, callable only if the candidate obtained at least 20% of the total number of votes expressed in that college. Then, another condition was the list of support signatures representing at least 4% of the total number of voters from that college, but no less than 2000 voters for the Chamber of Deputies and 4000 for the Senate. In no other Member State of EU does one require such a large number of support signatures.[20] The Guide establishes a percentage of 1%. Even though the contradiction is so serious, the European authorities again do not even adopt a critical position.

Fifth of all, by means of another provision, i.e. the one from article 8, according to which the voter can vote only in the voting section where (s)he is enlisted, citizens that on the voting day find themselves in other cities, are practically prevented to vote. Since in such situations there is no other legal alternative, the law becomes, at least from the point of view of this provision, unconstitutional, because it imposes the restriction of certain rights and according to article 53 from the Constitution there is no justification for this.

During the elections that took place based on this law, i.e. the elections from 30th November 2008, many citizens could not vote because of objective reasons, such as reasons of business, health, studies,

tourism or other similar issues and were thus arbitrarily excluded from the category of the people who could exercise their right to vote.

Conclusions

In most democratic countries the right to vote may be exercised anywhere on their territory. There where the electoral system is such that citizens vote in uninominal electoral colleges or circumscriptions, the law also mentions alternatives (vote by mail, anticipated vote, electronic vote, mobile voting etc.), which allow citizens to make use of their rights to vote, even though from various reasons they cannot be present in their corresponding voting sections.

I have mentioned only a few of the most obvious aspects of the current electoral system, which allow us to characterize it as an instrument of the political forces that came to power during the last 21 years, which being guilty of the state of abasement and backwardness of the country, are now using this system to stick to the power, despite their decline in credibility, intending to preserve their privileges on the one hand and to ruin the procedure, by which they could be punished, on the other hand. Personally I do not think there could be another explanation for the stubbornness with which the representatives of these groups of political clients oppose to the real democratization of the electoral system and subsequently the reformation of the entire state. "The reform of the state" so often invoked by the representatives of the actual ruling class has become an obsolete concept precisely because it lacks democratic basis and as one may easily notice it is nowadays used exclusively to justify certain decisions that in fact weaken the authority of the state more and more.

The fact that the provisions of Law 35/2008 analyzed above are thought and conceived based on that interest is confirmed precisely by the procedure of gathering the results of elections and giving the terms of office, actually conceived as a final solution if all other methods fail. Chapters X and XI of the law that regulate this procedure contain confusing terms that lack in clarity, use complicated and sophisticated language and thus make it difficult for one to understand and become familiar with all the operations that should be used after the elections, i.e. to assign the terms of office. But this confusing way allows the ones in charge with the electoral procedure to assign Parliamentary terms of office discretionally. The experience of the elections from 30th November 2008 is the best evidence that such an operation manner exists. After an aggressive campaign to support the uninominal vote as the most democratic system, citizens having the possibility to directly designate their representatives without the intervention of political parties, however the voters from various electoral colleges could see that their options actually had no importance in assigning the terms of office. Most of the time the winners were the ones that occupied the second, third or even the fourth position. Confronted to such sad realities, when the idea of democracy is severely damaged, I suppose it is no wonder or curiosity that citizens choose to give up on their most important political right, i.e. the right to vote. Why vote if their option is not taken into consideration?

Without mentioning any other facts one may conclude that Romania is far from having free and fair elections according to the Constitution and the European democratic practice transposed in the Guide referred to in this article. Any careful analysis of the electoral laws and practices from Romania is bound to confirm this thing. The consequence of all these provisions is the serious damage of democracy and the mystification of the political will of the people. Without an energetic intervention from the corresponding European authorities, the electoral process will keep being unjust and discriminatory, terribly contrasting to the electoral systems from the democratic countries. One needs to thoroughly reform the Romanian electoral system, which can be done only assisted by European experts. Without such expertise, political parties will continue to impose their own interests and ignore the minimum democratic standards necessary to the electoral process.

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- [20] In the EU Member States the number of signatures is not the same, usually ranging from just a few (Malta – 4 signatures, The United Kingdom of Great Britain and Northern Ireland – 10 signatures, Greece – 12 signatures, Ireland – 30 signatures, Slovenia – 50 signatures) up to a few hundreds in other countries (Finland – 100 signatures, Denmark – 150 signatures, Germany – 200 signatures, Luxembourg – 250 signatures, Austria and Belgium – between 200 and 500 signatures for the inferior Chamber of the Parliament). A higher number of signatures is required in the Czech Republic – 1,000 signatures, Lithuania – 1,000 signatures, Poland – 1,000 signatures and Spain – 1% of the voters of one circumscription. The highest number of signatures is required in Bulgaria: among 1,100 and 2,000 signatures depending on the size of the circumscription.

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Flexicurity and the Recent Amendments of the Labor Code

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Abstract: Flexicurity was defined as an integrated strategy of simultaneous consolidation of flexibility and security on the labor market [1].

According to this concept, flexibility refers to the successful changes (“transitions”) during life: from school to work, from one job to another, between unemployment or inactivity and work, and from work to retirement. This is not limited to the greater freedom for companies to hire and fire and does not involve open-ended contracts. This refers to the progress of the workers towards better jobs, “upward mobility” and the optimal development of talent. Also, flexibility refers to the flexible organization of work, able to respond quickly and effectively to new needs and productivity skills and to facilitate reconciliation between work and private responsibilities. Moreover, security is more than job retention: this refers to the mediation skills that enable progress in life and support in finding a new job. It also refers to adequate unemployment benefits to facilitate transitions. Finally, it includes training opportunities for all workers, especially for the low-skilled and older workers [2]

Keywords: flexicurity, flexibility, security, labor market

I. INTRODUCTORY REMARKS

1. Brief History of the term flexicurity

The term flexicurity was first used in Holland in 1995 by Hans Adriaansens, sociologist and member of the Scientific Committee on Government policy, when preparing of Dutch Flexibility and Security Act and the Act regarding the allocation of workers through intermediary agencies. [3]

He defines the concept of flexicurity as a shift from “security in a job” to “safety of the individual’s capacity to work or maintain a workplace” which means a transition from the protection of the working place to the protection of the workers by referring to a political reform of the increased security of the flexible employee [4]

In his approach, Adriaansens proposes that easing the legislation regarding employment protection should be compensated by granting some benefits to the employees with fixed-term contracts or part-time for example supporting vocational training on the long term, additional social benefits, etc..

The concept of flexicurity has imposed itself on the labor market of the Member States of the European Union because it succeeded in balancing the demand required for a greater flexibility in the labor market and security demand for workers in the economy.

Two renowned experts [5] in the field have argued that the fundamental idea of the concept of flexicurity is that “flexibility and security are not contradictory but they support each other”; The term flexicurity is, according to the same authors, a labor market where workers are easily hired and fired (flexibility) but where generous benefits are insured for the protection of the un-integrated (the security).

The integrated concept of flexicurity (consisting of flexibility and security) [6] is a way of conciliation on the labor market of the two elements, intrinsically linked to the rapid changes that the enterprises and workers have to deal with in this full process of globalization.

Vladimir Spilda, former European Commissioner for Social Affairs, pointed out that “flexicurity is the best way to allow citizens to enjoy a high level of safety in the workplace so that it is possible to

find a better place of work in each stage of his active life and have hope for a satisfactory career development in a rapidly changing economic environment”

Finally, flexicurity was defined as an integrated strategy of simultaneous consolidation of flexibility and security on the labor market [7]

2. The steps that must be followed by the European Union in implementing the concept of flexicurity

In early November 1997 at the Conference in Luxembourg the European Work Strategy was launched on which occasion, flexicurity was discussed.

In March 2000 the European Council from Lisbon set as a strategic goal for the first decade of the XXI century to create the most dynamic and competitive economy in the world capable of sustainable growth accompanied by quantitative and qualitative improvement of labor and greater social cohesion.

The European Council from Stockholm in March 2001 highlighted the need to increase the employment rate of labor and in March 2002 at Barcelona the European Council proclaimed as a fundamental objective and priority the use of full employment.

Currently, the European Union [8] aims to implement a policy of modernization of labor law in each Member State with the purpose of generating a new dynamic of the employment and growth of economy and flexibility and security are located in the heart of this modernization.

The European Commission [9] wants the establishment of flexicurity as a joint socket of the European labor market, which requires the conciliation of flexibility within the enterprises with the legitimate security of the employees.

The Kok Report from November 2004 requires to the Commission a redefinition of the Lisbon strategy on the objectives of increasing the number of jobs and introducing elements of flexibility in the European labor markets, providing at the same time, for the workers a high level of security. The report also invites the Member States to make the classical employment contracts more flexible, to create new forms of contracts, to increase labor mobility with the partial time, to encourage the workers' mobility and freedom of the intermediary agencies.

The European leaders have asked the Commission, in 2006, that together with the member governments and social partners to initiate the elaboration of a common approach of flexicurity that takes into account of national particularities. In this context, in November 2006 the Green Paper was published, which Modernized Labor Law to meet the challenges of the XXI century and adapted the labor law to ensure flexibility and security for all. Following this report, the Commission issued a Communication on Flexicurity on 27 July 2007 [10]

II. FLEXSECURITY IN THE EUROPEAN DOCUMENTS

1. The integrated approach of flexicurity in the European Commission's Communication to the Council, European Parliament, Economic and Social Committee and the Regions Committee (Brussels, 27 July 2007) [11]

The motto of this document is, “more and better jobs through flexibility and security”.

The premise from which we started to address this issue was that the way of life and work of its citizens is rapidly changing [12]. This is due to four reasons: European and international economic integration; development of new technologies, especially information and communication; demographic aging of the European societies, alongside the average occupancy levels of relatively low labor and high unemployment on the long term, all this putting at risk the sustainability of the social protection systems; and development of “segmented” labor markets in many countries, [13] in

which the relatively protected employee and the unprotected ones coexist (the persons employed and those who are a part of the excluded categories).

Overall, globalization is beneficial for growth and occupation of employment, but change requires rapid responses from enterprises and workers. Adaptation requires a more flexible labor market with levels of security while addressing the new needs of employers and employees. Europe must create more and better jobs, so that they can manage the changes and the new social risks. It must reduce the segmentation of labor markets and precarious jobs, and promote sustained integration and accumulation of skills. Women, young people and migrants are already a high proportion of those belonging to the categories excluded from the labor market and older workers have difficulty in keeping or finding a job. Even those who have a permanent contract may feel threatened because, in the case of dismissal, they face the same difficulties in the search for quality jobs.

In order to achieve the objectives of the Lisbon Strategy for more and better jobs new forms of flexibility and security are need for both individuals and companies as well as for the Member States and the European Union.

Individuals increasingly need employment security rather than job security; nowadays fewer people can have a job for life. Companies, especially SMEs, must be able to adapt their workforce to the changing economic conditions. They should be able to recruit staff with skills to better suit their needs, to be more productive and adaptable, thus ensuring a greater innovation and competitiveness.

The change must result in more winners and increasing mobility. More disadvantaged people must be helped to overcome this condition.

According to the Communication, EU citizens accept the need for adaptation and change. Thus, 76% of Europeans agree that jobs for life at the same employer are a thing of the past. Also, 76% believe that the ability to easily change jobs is an advantage for finding a job nowadays. Also, 72% of them believe that to encourage the creation of jobs, contracts should become more flexible. Finally, 88% of citizens said that regular training improves the prospects of getting a job [14]

EU's overall policy response to the challenges and opportunities of globalization is represented in the renewed Lisbon Strategy for Growth and Jobs.

The European Council asked the Member States to “develop more systematically comprehensive policy strategies under the national reform programs to improve the adaptability of workers and enterprises”. The Commission together with the Member States and social partners, were asked to “study the possibility of developing a set of common principles on flexicurity” this being an useful means for making labor markets more open and responsive as well as more productive workplaces [15]

The motive for choosing an integrated flexicurity approach is the need to achieve the objectives of the renewed Lisbon Strategy, [16] especially more and better jobs and at the same time to modernize the European social models. This requires policies that address simultaneously the flexibility of labor markets and labor relations, as well as security - employment security and social insurance.

Flexicurity aims to provide EU citizens with a high level of employment security, for example the possibility to easily find a job at any stage of active life and have opportunities for career development in a changing economic environment. It also aims to support employers and employees alike to benefit fully from the opportunities of globalization. Therefore, it creates an environment where security and flexibility are mutually reinforced.

Flexicurity can be defined as an integrated strategy of simultaneous consolidation of flexibility and security on the labor market.

According to this concept, flexibility refers to the successful changes (“transitions”) during life: from school to work, from one job to another, between unemployment or inactivity and work, and from work to retirement. This is not limited to the greater freedom for companies to hire and fire and does not involve open-ended contracts. This refers to the progress of the workers towards better jobs, “upward mobility” and the optimal development of talent. Also, flexibility refers to the flexible organization of work, able to respond quickly and effectively to new needs and productivity skills and to facilitate reconciliation between work and private responsibilities. Moreover, security is more than job retention: this refers to the mediation skills that enable progress in life and support in finding a new job. It also refers to adequate unemployment benefits to facilitate transitions. Finally, it includes training opportunities for all workers, especially for the low-skilled and older workers.

Thus, firms and workers can both benefit from the flexibility and security, for example from a better organization of work [17], following an upward mobility as a result of improved skills, from investment in training that gives results for enterprises by helping workers to adapt and accept the change.

According to the Communication, flexicurity policies can be designed and implemented through four policy components:

- *Flexible and reliable contractual arrangements* (from the perspective of the employer and employee, employed persons and those who are a part of the excluded categories) through labor legislation, collective agreements and modern work organization;
- *Comprehensive strategies for lifelong learning* to ensure adaptability and employability of workers, especially the most vulnerable categories;
- *The policies of active and effective labor market* that help people cope with rapid change, helps reduce the unemployment periods and ease transition to new jobs;
- *Modern systems of social insurance* that provide adequate income support, encourage employment and facilitates mobility on the labor market. It includes provisions on social protection with a broad coverage (unemployment benefits, pensions and healthcare) that help people combine work with personal and family responsibilities such as childcare.

Economic analysis [18] confirms that these four components can be mutually supportive, and improve employment (in general, as well as for women, young and older workers), rates of poverty and human capital risk.

While some workers experience a high level of flexibility and low security, others are in *contractual arrangements* that discourage or delay shipments. This is particularly the case in the field of strict employment protection against dismissal on economic grounds.

According to analytical evidence, [19] strict legislation in the domain of employment protection [20] reduces redundancies, but at the same time the rate of transition from unemployment to getting a job. When the enterprises decide whether to recruit new staff, they will take into account the likelihood of high dismissal costs in the future. This is especially relevant for small enterprises. Analysis [21] also shows that although the impact of strict legislation in the domain of employment protection on overall unemployment is limited, it can also have a negative impact on those groups who are most exposed to problems of entry into the labor market work, such as youth, women, older workers and long-term unemployed. Women, for example, are more likely than men to fluctuate between working and not working, especially in trying to balance work and family life, and therefore are more affected by reduced recruitment caused by strict legislation in the protection of jobs. Strict laws in the protection of jobs often encourages temporary contracts which ensures a low protection – often in the case of women and young people - and a limited progress regarding jobs on an indefinite term. [22] The result is the labor market segmentation which is intended to be addressed through flexicurity. Of course, the legislation in the domain of employment protection has positive effects; it especially encourages enterprises to invest in training and promoting loyalty and higher productivity of employees.

The Commission's Communication highlights the need for *comprehensive strategies for lifelong learning* and better investment in human resources to respond to rapid change and innovation. This is one of the most important factors, both for the competitiveness of companies and for the long-term employability of workers.

Modern systems of social security that provide adequate unemployment benefits as well as active labor policies in the employment market are essential components that provide security and income support during job changes. Good systems of unemployment compensation are needed to offset the negative consequences regarding income during a transfer between jobs but they may have a negative effect on the intensity of job search and can reduce financial incentives to accept a job. This can be avoided by providing efficient support for finding a job and work incentives, [24] ensuring a balance between rights and obligations.

A successful flexicurity strategy should carefully provide balance between the income insurance function of the unemployment benefit system and the appropriate "activation" strategy designed to facilitate transition into employment and to enhance the development of the professional career. Also the active policies in the labor market domain have a positive effect on the feeling of security among workers. [25]

Active involvement of social partners is essential to ensure that flexicurity delivers benefits for all. It is also important for all the interested parts involved to be prepared to accept and assume responsibility for changes. Integrated flexicurity policies are often found in countries where the dialogue - and above all, trust - between social partners and between social partners and public authorities played an important role. The social partners are the ones able to address the needs of employers and workers and to find synergies between them, for example in work organization or in the design and implementation of strategies for lifelong learning. Social partners' support for attaining the core objectives of the Lisbon Strategy is an important asset; translating this support into concrete policy initiatives is the responsibility of governments and social partners alike. A comprehensive flexicurity approach - as opposed to separate policy measures - is the best way to ensure that social partners engage in a comprehensive discussion on adaptability.

The Commission's Communication states that in order to facilitate national debate within the common objectives of the strategy for growth and jobs, it is necessary at EU level to reach a consensus on a set of "common principles of flexicurity", which could serve as a useful framework reference for making labor markets more open and active and more productive jobs.

These common principles are:

(1) Flexicurity involves flexible and reliable contractual arrangements (from the perspective of the employer and employee, employed persons and those who are a part of the excluded categories), comprehensive strategies for lifelong learning, active labor market policies in efficient and modern social security systems.

(2) Flexicurity implies a balance between rights and responsibilities for the employers, employees, those seeking employment and public authorities.

(3) Flexicurity should be adapted to the circumstances, labor markets and labor relations specific to each Member State. Flexicurity is not about a single model of the labor market or a single policy strategy.

(4) Flexicurity should reduce the difference between those employed and those which are part of the excluded categories. Those who are currently employed need to be prepared and protected during the transition from one job to another. Those who are currently part of excluded categories - including those who do not have a job, which predominates among women, the young and migrants - need easy entry points for a job and stepping-stones to enable progress into stable contractual arrangements.

(5) Internal (within company) and external (from one society to another) flexicurity should be promoted. Sufficient flexibility in recruitment and dismissal must be accompanied by secure transitions from one job to another. Upward mobility should be facilitated, as well as between

unemployment or inactivity and work. Quality jobs with capable leadership, better work organization and continuous upgrading of skills are the objectives of flexicurity. Social protection needs to support, not hinder mobility.

(6) Flexicurity should support gender equality by promoting equal access to quality jobs and providing opportunities for men and women to reconcile work and family life, as well as providing equal opportunities for migrants, young workers, the disabled and aged.

(7) Flexicurity requires a climate of trust between public authorities and social partners, all being prepared to assume responsibility for the changes, and to initiate balanced policy packages.

(8) Flexicurity policies implies budgetary costs and should be applied, also taking into account the contribution to sound fiscal policies and financially sustainable. They also should seek a fair distribution of costs and benefits, especially between businesses, individuals and public budgets, paying particular attention to the specific situation of SMEs.

In terms of *ways of approaching flexicurity* they can not only have an indicative role because the application of flexicurity policies differs from one Member State to another. These methods have been developed on the basis of the Member States situation and of the report of the Expert Group on flexicurity [26]

First way: tackling contractual segmentation

This typical pathway is of interest to countries in which the key challenge is segmented labor markets, including employed persons and persons belonging to the excluded categories. This method aims at a more uniform distribution of flexibility and security in the workforce, providing ways to access the labor market for newcomers and promote their progress into better contractual conditions. In these countries, the open ended contracts are considered the main method of protection by labor laws and collective agreements.

The second way: developing flexicurity within the enterprise and insuring security transition.

This typical pathway is of interest to countries with relatively low job flows. This method also requires more investment to increase employment opportunities for the workers within enterprises to continuously update their skills and thus be better prepared for future changes in production methods, organization of work. That way goes beyond the actual job and a certain employer, by creating systems to ensure safe and successful transition from one job to another in the case when the company is restructured and the personnel is dismissed.

The third way: addressing the lack of skills and lack of employment prospects.

This typical pathway is of interest to countries facing a sharp shortage of skills and employment prospects in the population. This is aimed at creating employment opportunities for people with low qualifications and develops their skills to fill a position of sustainable employment.

The fourth way: improving opportunities for benefit recipients and informally employed workers.

This typical pathway is of interest to countries that have recently experienced significant economic restructuring, resulting in a large number of people receiving long-term benefits and have low chances of returning to the labor market. It would aim at improving opportunities for benefit recipients and employment transition from informal to formal employment creation policies effective active labor market systems and lifelong learning associated with an adequate level of unemployment benefits.

2. The European Parliament's resolution of 29 November 2007 on Common Principles of Flexicurity (2007/2209 (INI) [27]

This document stresses the fact that flexicurity is designed to be in the interests of both employees and employers.

The resolution also recalls that the implementation of common principles of flexicurity should integrate gender as well as:

- Over-representation of women in atypical forms of employment (non-standard contracts, fixed term, part-time) and the need to implement a series of policies in the labor domain to integrate the gender dimension;
- Frequent alternation for women between professional activities and care and the need for adequate social protection and assistance during periods of transition (care, family responsibilities, education, training and retraining);
- The special situation of single parent families, in most cases they are women
- The need to negotiate and arrange the conditions and hours of work in a flexible manner to accommodate working life, family life and private life;
- The need for flexibility in training and retraining and in terms of all measures to reintegrate work, including during periods of transition, to enable reconciliation of professional, family and private life;
- EU pact for Equality between women and men, the Roadmap for equality between women and men 2006-2010 and the Commission Communication on the demographic future of Europe – transforming a challenge into an opportunity (**COM(2006)0571**).

Flexicurity principles should include among others:

- Promoting stable employment relationships and sustainable practices in the labor market,
- Measures for flexible and secure contractual arrangements and measures against unfair practices, especially in some non-standard contracts;
- Removing labor-market segmentation by promoting employment security and improved job security; all workers have certain rights, regardless of their situation in terms of employment;
- Reconciling work with family life or private life, and promoting the concept of “decent work”;
- Gender equality and promoting equal opportunities for all;
- Design and implementation of national approaches, in close consultation with social partners in accordance with the national customs and practices;
- Building companies and workers by improving the adaptability of security transition, and through better mobilization of active labor market policies;
- The need for a skilled and adaptable workforce, thereby combining, active policies in the labor market with investment in lifelong learning to enhance employability;
- A macroeconomic framework for a balanced and sustainable growth and more and better jobs.

3. European Flexicurity Mission Report [28] highlights the advantages that should benefit both companies, and employees from flexibility (ie better reconciliation between work and personal life, greater ability to adapt to business) and from security (ie, secure career paths and an effective system of training for employees, legal certainty for enterprises). It is assessed in the report that flexecurity, is one of the keys to the ongoing reforms in the labor market regarding its adaptation and modernization. Facilitating the transition period, accelerating the resumption of work, improving the skills of employees, depending on the needs of the enterprise, flexecurity allows the combination of effective tools in a deteriorating economic context.

4. The 2008/104/CE Directive of the European Parliament and of the Council from 19 November 2008 on temporary agency work [29] notes that this form of activity not only meets the needs in terms of flexicurity, but also the workers needs to harmonize professional and private life. Work through temporary work agency contributes to creating jobs, the labor market participation and integration

III. FLEXECURITY IN THE LABOR LAW OF ROMANIA

1. Post-accession strategy 2007-2013. Lisbon Agenda, launched in 2000 and re-launched in 2005 provides the framework for coordination between measures taken at a national level and those taken at the level of the European Union in order to become “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”

One of the objectives of the National Reform Programme for Lisbon Strategy is to improve the functioning of the labor market so that there would be full employment, improving quality and productivity at work and strengthening social and territorial cohesion.

The strategic directions in terms of labor market are increasing flexibility and security of employment, improving access to employment.

2. Law no. 40/2011 on amending and supplementing Law no. 53/2003 – The Labor Code [30] aims to harmonize national legislation in the field of labor relations with the European Union regulations.

In the context of economic crisis, which has not yet dropped, the flexibility and adaptation to the realities of labor relations in the light of current socio-economic progress and labor market dynamics is regarded as desirable, but also necessary.

Any Labor Code as a fundamental document governing the employment relationship should reflect the economic reality within which these relations are being developed in and at the same time it must respond to the labor market needs in the context of the current economic crisis. Regulations of the current Labor Code, Law 53/2003 has been shown to be relatively rigid in terms of labor market flexibility.

The amendments introduced by Law no. 40/2011 intended to fallow precisely the application, to a greater extent of the principles of flexicurity and the work relations in our country, to ensure the creation of conditions for business development, while ensuring the level of protection of employees

The main changes brought by the new normative act relate to:

- Reviewing the regulations regarding the application of the non-competition clause by granting the employer's right to waive this benefit if it considers that its economic and commercial interests are not harmed by the activity of the former employee

- Reviewing the probation period in order to verify employee skills, the individual employment contract, meaning that they are 90 days versus 30 days for executive functions and from 90 days to 120 days in the case of management. The argument of this change is that for certain fields, the probationary period is insufficient in order for the employer to form his believes on the employee's performance. The European Commission also noted that the probationary period and the notice periods in our legislation are too short compared to the average European Union member states.

- Removing the ban regarding the successive employment of more than three people for probationary period for the same job because limiting the number of successive employment is unjustified and creates undue restraint on the labor market.

- The establishment for the employer of the right to establish individual performance objectives and assessment criteria of their achievement, after consultation with the trade unions and employee representatives. This measure is likely to increase the competence and level of expertise of employees. The same effect has been established and the employer's obligation when the individual employment contract ends is to provide the employee with his job descriptions.

- Changing conditions in which the employee may be delegated in the sense that it can be extended up to 60 days with the employee's consent. This amendment had in mind to facilitate the work of the employer in carrying out certain works that require a longer period than 30 days as was previously regulated.

- Review of cases of termination of individual employment contract in order to cover certain situations not covered by the current Labor Code, such as termination of employment of the individual in cases like: the death of individual, dissolution of the employer legal person if communication of the retirement of the employee if the disability pension, early retirement, partial early retirement pension and old-age pension with the standard reduction of the retirement age because the decision of retirement takes effect from the date of its communication as well as at the date of the irrevocable court decision declaring the death or placing under interdiction of individual employers. These issues have also been reported in the literature [31]

- Changing the criteria for collective redundancies, which will be granted primarily on the performance and fulfillment of objectives and the alternative criteria will be of social nature.

- Removing the ban on recruitment for the employer who made a collective dismissal for 9 months. This ban represents a restriction of employment for the future, limiting the employer's development opportunities and reducing the number of seats available on the labor market.

- At the European Commission recommendation, to ensure optimum protection of employees the notice period for redundancy for reasons not related to the employee has changed from 15 to 20 working days

- Changes to provisions governing the individual employment contract on a determined period within the meaning of the Council's Directive 1999/70CE regarding the framework agreement on fixed-term work. According to these provisions the period for which fixed-term contracts may be made has increased from 24 months to 36 months with the possibility of extension in order to complete a project, program or activity which allows the employer to operate continuously, without being limited to 24 months.

- Review of the institution of temporary employment agent in accordance with Directive 2008/104/CE on temporary agency work. Removing restrictions provided in the art. 88 of the current labor code is the result of applying art. 4 of the Directive, according to which the Member States should review not later than 05. 12. 2011 - any restriction or prohibition on the use of temporary labor, to ascertain whether they are justified by the protection of temporary workers, the requirements for workplace health and safety or the need to ensure proper functioning of the labor market and prevent abuses. Through Law no. 40/2011 on amending and supplementing the Law no. 53/2003 of the Labor Code to extend the duration of temporary work assignments having as purpose:

□ boosting temporary employment agency work, taking into account the principle of equal treatment in law, which provides temporary employees compared with those of fixed-term employees (art. 2 of the Directive) and providing the driving efficiency of flexicurity under EU law and international law.

□ adapting legal provisions to the changes in the labor market in Romania, due to global recession.

□ creating a legal framework for providing new jobs and implicitly reduce the unemployment

- Changing the reference periods by calculating the average working hours in accordance with Directive 2003/88/EC concerning certain aspects of working time. In this respect it was regulated that the duration of the work time may be extended beyond 48 hours per week, provided that the average working hours, calculated over a reference period of 4 calendar months (three months in the current regulation) does not exceed 48 hours per week. The applicable collective bargaining agreements may provide for derogations from the reference period of four months but without exceeding six months

- For certain sectors of activity it is permitted by the applicable collective agreement a modification of the working time provided by the night workers in the sense that the normal working hours for night workers operating in special or extraordinary working conditions will not exceed 8 hours during any period of 24 hours unless the increase of this duration is specified in the applicable collective labor agreement

- Eliminating disparities related to employee representatives and trade unions in order to respect the principle of equal treatment of all employees of an enterprise, in terms of professional activity, whether or not they are part of the union leadership. In earlier legislation the union leaders could not be fired for professional inadequacy or nobody can be forced to retain an employee who does not meet the professional characteristic necessary solely because they were elected as the representative body of the union.

Law no. 40/2011 made other changes to the current Labor Code but they exceed the basis in question.

Against modifying the current enactment of the Labor Code a complaint of unconstitutionality to the Constitutional Court has been filed.

At the meeting on 23 March 2011, following deliberations, the Plenum of the Constitutional Court, by majority of votes, found that both the Law for amending Law 53/2003 of the Labor Code as a whole, and the provisions criticized in the notification are constitutional, setting the following:

Regarding the issues of **extrinsic unconstitutionality** raised, the court held, inter alia:

- The procedure for voting the motion complied with the constitutional requirements and those regarded in the Regulation of the joint sittings of the Chamber of Deputies and the Senate
- The liability of Government in front of the Parliament was made according to the provisions of Article 114 of the Constitution;
- The conditions regarding the approval request of the Economic and Social Council were met
- The Court's power of review can not be extended to the legality of decisions of the Permanent Office of the Chambers of Parliament, aiming the public access to the meetings of the reunited Chambers .

Regarding the critics of inherent unconstitutionality, the Court held that:

- The provisions of Article I point 2 of the Law regarding the modification of Article 16, paragraph 1 of the Labor Code, which imposes the obligation of signing an individual employment contract concluded in written form as an ad validitatem requirement is a protection measure both the employer as and employee in the employment relationship, since it provides knowledge and opportunity to prove rights and obligations arising from the contract;
- The dispositions of articles. I point 9 of the Act, relating to increasing the probationary period gives employers the opportunity to objectively assess the professional performance of the employee
- The employer's possibility to suspend the employment contract, in accordance with art. I pct.25 of the criticized law, does not represent a discretionary measure, because it may be subjected to review by courts. On the other hand, we thus avoid situations where the employer, forced to reduce the work its activity could be forced to pay wages for work not performed or resort to layoffs;
- The dispositions of articles. I pct.66 of the Act, through which art.129 of the Labor Code is amended, in the sense that the union representative or employee representative, according to case, is only consulted, without having the right to vote, regarding the development of labor standards is an expression of margin discretion of the legislature and does not contradict the Constitution;
- Increasing the duration of notice period, according to art. I pct.40 of law can not be censured by the Court during the exercised judicial review, because since it is not provided by any rule of constitutional law is an attribute of the legislature;
- Art. I 37 par I of the Law, relating to the non-appliance of the Labor Code provisions on collective redundancies for employees of public institutions and authorities, does not create a discrimination against other employees, because according to the jurisprudence found by the Court different situations justify the establishment of different legal treatment;
- Article I pct.52 of law relating to the guaranteed minimum wage for a temporary employee, does not create a discrimination against an employee who performs work of equal value, but the former is guarantees the same basic conditions of employment;
- Criticism aimed at discriminatory treatment of employees' representatives, in terms of dismissal, under the provisions of art. I pct.78 of law pertain to a way of interpreting the law and does not contradict the Constitution
- The role of Economic and Social Council, as governed by Art. I pct.75 of law is not restricted, but focuses on subjects participating to the social dialogue, in accordance with the Constitution;
- Art. II of the Law, relating to the validity of collective labor agreements and other additional acts from the entry into force of the law until 31 December 2011, does not establish a limitation on the right to collective bargaining, but imposes certain transitional measures, to regulate and implement a uniform procedure.

Conclusions

I appreciate that the implementation of flexicurity principles of labor law in Romania will be likely to lead to:

- Increase the attractiveness for local investors in the Romanian economy
- Macro-economic environment will see improvements of substance that will materialize through faster growth of production, competitiveness and increased employment;
- Improving the competitive labor market, with positive effects on the whole economy
- Business growth, giving Romania a regional advantage in terms of attracting foreign investors;
- Improving the flexibility of labor relations in order to develop labor market in accordance with the European Directives
- Achieving a reduction of undeclared work by regulating the phenomenon of tougher sanctions against both employers and employees who will not perform work under legal conditions
- Increasing the number of contributors to the public pension system by creating new jobs;

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General Considerations on the Criminal Pursuit Body's Referral

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Abstract: *In most situations, the physical or juridical persons which address the authorities regarding issues that require resolution may / may not be circumscribed to the competences of that institution, or which notify any irregularities / misappropriation of whom they know regarding people or situations. In addition, the legislator has laid down that the ex officio referral/ self referral of people working in public authority, in cases in which there are issues of breach / infringement test, especially when committing the most serious antisocial acts, offenses (Art. 221 par. 1 and art. 227 of the CPC). So, on one hand we have the legally established rights of citizens and organizations to address to the government requests, complaints, referrals or suggestions, regardless of the form (written, verbal, email, etc.) and on the other hand we have the authorities' correlative obligations, through the personnel operating within them, to receive referrals, address them according to jurisdiction and legal provisions, or/and to be referred ex officio in cases in which they learn about some irregularities.*

Keywords: *criminal justice, criminal pursuit, legitimate interests, The European Convention of Human Rights, referral*

Introduction

Among the fundamental rights and liberties provided in the Romanian Constitution, the free access to justice is amended by art. 21, having the following content: "Any person can address the court to defend its rights, liberties and his legitimate interests. No law can restrict the exercise of this right."

In the constitutional text the term "justice" has a lato sensu understanding, the legislator having into consideration not just courts, but the whole judicial bodies (courts, prosecutors and criminal investigation bodies). Also, art. 51 of the Basic Law recognizes the right of citizens and organizations legally constituted to address to the government petitions made on behalf of the signatories or collectives they represent, but also establishes correlative obligation of the latter to meet the deadlines and conditions established by the law.

Of course, free access to justice has various forms of manifestation:

- in stricto sensu situations the complaints, reclamations, referrals, suggestions can be submitted directly or through intermediaries; it can be written or verbal;
- by legislating the right to complain against actions taken and documents prepared by the authorities, criminal bodies of investigation or by the prosecutor (art. 275-2781 CPC);
- the right to exercise ordinary and extraordinary means of redress before courts, etc.

Problem formulation

Without this right it can not be implemented and subsequently verified the compliance of other fundamental rights enshrined in the Universal Declaration of Human Rights, The European Convention of Human Rights, International Covenant on Civil and Political Rights and other treaties Romania is a part of.

From this perspective, this law is a prerequisite to guarantee other rights.

Specifically, in cases of documents through which the prosecutor terminates the criminal conflict (resolution to do not initiate prosecution, order the removal from criminal prosecution or termination

of criminal prosecution), the Constitutional Court [1] stated that it makes sense for that documents to be verified and confirmed or invalidated by the courts, the only authority by who's activity justice is served.

In cases of criminal pursuit bodies, part of the judicial body, the triggering of their activity is subject in all cases by the notification about the perpetration of an offence. The means by which the judicial body is informed about a crime is called an act of referral [2]. In their case the referral is not just a simple information, but the drawing act under the law so that the criminal pursuit body is invested / empowered to begin research [3] and to continue to operate, having the effect of a more dynamic instrument that usually constitutes the basis and starting point of criminal trial [4].

The referral can be defined as a procedural measure by which the entitled topic addresses the judicial body with the request to conduct the activities which the law grants him as a functional task. It also requires the notification more or less complete of the criminal pursuit body about the perpetration of an offense, and orders it to conduct activities provided by law to carry out criminal proceedings, as amended by Art. 200 of CPC [5].

Comparing the current regulations in force regarding the referral of judicial bodies we can say, without any mistake, that the abilities of the criminal pursuit body to conduct criminal investigations after a referral, but only through certain means, does not have the strict form of investment circumstances of the court. The inobservance of provisions on court referral attracts absolute void, this result is not valid in the case of the criminal investigation body [6]. The latter is given more flexibility in order to ensure prompt and effective interventions; the legislator seeks not to reduce the action of the prosecution through rigorous referral forms or regulations [7]. This argument is mainly conferred by the expanded jurisdiction given by the legislator of the prosecution (Article 207 CPP), together with their human and material resources, thus non intervening with the operability principle of criminal trial.

The modes of referral of the criminal pursuit body are varied and the specialty literature has established different criteria for classification [8].

Problem Solution

In terms of source of origin, the referral can be from outside (external) and ex officio (internal). External referral is made by complaint or denunciation (normal modes of referral), but also by instituting special modes encountered in situations where certain people are obliged to inform the commission about a crime[9] being called obligatory references[10]. As stated in Art. 170 (not denunciation) and Art. 262 (non denunciation of a crime) of Criminal Code, people who have knowledge of any of the crimes listed in Art. 155-163, 165, 166 and 167 as well as in art. 174, 175, 176, 211, 212, 215, 217 par. 2 to 4, 218 par. 1 and 276 par. 3 CC are required to inform the judiciary bodies. The same obligation exists for the enforcement body under Art. 214 and 215 of CPP. The referral can be primary (when the notification about the perpetration of an offense come for the first time before a prosecuting body) and complementary (when the referral passed by another body which has declined its competence under Art. 210 par. 2, combined with art. 42 and 45 par. 1 of the CPP). I think that switching of a case from one body to another one, according to art. CPP 217 can be considered complementary referral in situations where both bodies were investigating the case. The complaint, denunciation, special modes of notification and ex officio referral are primary referrals.

Some authors consider that a body may be notified in connection with the same case once or several times. Under this aspect the referral may be: principle (original complaint) and secondary (article 333 CPP was abrogated; the valid provision is that which refers to extended action or criminal proceedings under Art. 335-337 in CPP) [11]. In such circumstances I consider that the refund ordered by the prosecutor, as stated in art. 231-232 of the same normative act should also be considered secondary referral.

In terms of the value of received information about the perpetration of an offence, the law makes no distinction between those referral patterns mentioned. The criminal pursuit body can be notified both

from external sources and ex officio and the problem referred may be the same as before. In this case both information sources will be exploited.

The law expressly states that in some situations the referral should be made in a certain way, the conditions stipulated have the sine qua non character; their absence leads to failure of the criminal pursuit body to begin criminal proceedings. Thus, art. 221 par. 2 of CPP provides that, by law, the setting in motion of the criminal action can occur only after a prior complaint was made by the injured party (such as the crimes specified in Art. 180 and 181, 193, 197 par. 1, 210 and 213 etc.. of Cp), or require a special referral (for offenses against public order and military discipline - unjustified absence, desertion, insubordination and breach of instruction - under Art. 331-334 in CP), the criminal action can only be triggered after the commander makes a formal referral (according to art. 337 hp). In addition, as stated in art. 278 of the same Code, the criminal proceedings for the acts under Art. 273 par. 1, 274 par. 1 and 275 par. 1 and 2 are set in motion only upon notification to the competent railways bodies. The Law no. 31/1990 regarding companies provides, for crimes committed by the managers of joint stock companies, that criminal proceeding can not be set into motion or exercised without a referral to the judicial body by the shareholders' meeting.

Identical rules exist in other specific laws, for example Law no.11/1991 on combating unfair competition and Law. 51/1995 regarding the organization and the profession of lawyer both amended and supplemented. The criminal Code provides a special authorization of the body in law (the case of crimes specified in Art. 5 CC on the reality of criminal law - crimes committed outside the states' territory, crimes against the Romanian state security, crimes against the life of a Romanian citizen or through which a serious bodily injury or the health of a Romanian citizen is damaged, when committed by a foreigner or a stateless person who does not reside in the country, from which the movement of criminal proceedings shall be made only with prior permission from the Attorney General P. Q. CCJ) criminal pursuit can not start without it.

Paragraph 2 of art. 171 C.C. establishes the prohibition of criminal pursuit initiation without the willingness of foreign government in the case of offenses against life, bodily integrity, health, freedom or dignity, committed against a foreign state representative, aspect which has been reinforced by art. 221, par. 3 CPC (Crimes against the representative of a foreign state) and art. 221 par. 4 CPC stresses the urgent need of referral, and that the latter must be accompanied by specific documentation dealing with initiation of criminal pursuit and dispute settlement.

Conclusion

Thus, when by committing a crime, damage occurs to a unit which is referred to in Art. 145 of the CC, the damaged unit is required to immediately notify the criminal pursuit body, to submit explanatory statements on the extent of damage, data regarding the facts which brought about the damage and be a civil party. As stated in art. 227 of the same normative act these obligations rest with the persons with management functions, those with control attributions and the employees / officials of the concerned companies.

A referral must be made within a certain period of time otherwise the judiciary bodies no longer have the legal capacity to hold the perpetrator accountable. These limits vary depending on:

- Type of crime (whether intended or not prior complaint, if so the term is two months from the day the injured party or its representative find out who the perpetrator is) and
- Punishment limits (especially maximum) provided by the legislator for each offense in part (except those above) compared to periods of prescription for criminal liability (art. 122 CC) whose effects are total (except for offenses which can not be prescribed)

Certainly, the legislator has regulated also the penalty prescription (Art. 125 CC), but in this case only the carrying out of the main penalty is removed.

Specific regulations exist also in the case of the title holders (persons entitled to lodge a complaint). In principle, any physical or juridical person is entitled to address the judicial bodies, but in some cases, the legislator granted this right only to certain persons (legal representatives are entitled to lodge complaints on behalf of persons without legal capacity or to give consent to a complaint formulated by persons with limited exercise capacity, as stated in Art. 222 par. 6 and art. 284 par. 2 CPC), precisely in order to achieve effective protection of certain categories of people.

Not every criminal pursuit body has jurisdiction to solve complaints from different individuals. In this regard it should be taken into account the provisions on personal, material and territorial competence. In cases where the criminal pursuit body is notified ex officio, they are required to complete an official report and to declare the deed/deeds committed.

Special regulations concerning the procedure for flagrant crimes and those followed in cases of prior complaint strengthen the foregoing examples.

All these are conditions of substance and form regarding the referral.

The immediate effect of legal referral of the prosecution may consist in:

- triggering of verifications in the stage of preliminary documents in order to initiate criminal proceedings
- the initiation of criminal pursuit in situations where there is a minimum of data allowing the criminal pursuit body to reach a reasonable assumption that an offence has been perpetrated and it is not encountered any of the cases of preventing the process of putting in motion of criminal proceedings under Art. 10 CPC;
- non initiation of criminal pursuit if legal conditions are met.

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Social Relationship and National Identity

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Abstract: *Different aspects of **globalization** are present in every media unit. In fact, what is **globalization**? Or, in other words, what **globalization** suppose to mean and how it woldn't be interpreted? First of all, the mankind should accept that the change is the new way of life. Then, the mankind should see, step by step, how this change is made everywhere, from customs and habbits, to institutional structures.*

*The first definition of **globalization** is one of common sense: the process by which people agrees to accept what they like putting out quietly what separates them. **Globalization** is likely to be perceived as a new social, and this time on a planetary scale. Faced with this situation, we must not confuse likeness with identity, because what is similar and not identical.*

Keywords: *globalization, social relationship, individualization, the human sociability*

Introduction

Globalization has emerged as a solution to the problems considered global: the process of global economy becoming functional in the global society is able to create structures of global decision for solving global problems. But no economic or social definition of **globalization** does not claim that this is a replacement or a synonym for national identity. Because otherwise what about cultural diversity?

In a global order structure must be able, as a state, to keep your own "personality". Romania's EU accession doesn't mean that instead of "Miorita" gymnasium will study "Hamlet" as one of the most important myths and Romanians doesn't change the well-known phrase "Romanian brother of forest" or "Romanian was born poet ". Since Romania joined the European Union, also "a Latin island in a sea of Slavs" we are, because these things have been imposed by culture.

Globalization does not replace the culture, traditions and customs of peoples. And no, they should not prevent the phenomenon of **globalization**, because the global structure tries to solve major problems such as rentiere economies, poor financial discipline, denial bankruptcy and professional mobility, underdevelopment as a persistent phenomenon, lack of ability to maintain the comparative advantages and elimination of emergency savings.

Globalization means a healthy, prosperous business environment. So instead of thinking that **globalization** replaces natural behavior of the Romanians and oblige them to promote the holiday as "Halloween", "Valentine's Day" or others, we better have a question that we don't have a national identity very well defined, or if we have, we do not feel that defines us. In the sense that we retrieve because we want it to, not because we would require one. Instead we "take" of "habits" to their business ways to reduce unemployment by providing jobs, businesses that significantly increase the GDP and hence living standards.

A concrete example of this is that we don't have a brand so strong that it represents us. For example, Americans have: Coca-Cola, Pepsi, McDonald's and other well-known; French people have perfumes and expensive brand clothing, elegance and refinement; Swiss people are known by chocolate brands those exports and their watches.

Question: These products are identified very well with the specificity of these nations, these products define those countries; what product defines us best? The answer is that there is no such product or if there is, it was not highlighted very well until now.

So that **globalization** still poses a major problem: that of having a strong shaped national identity which defines our personality among other countries just as we are, not "losing" by lending it from others.

There are some daring attempts of us to conceive the «brief» of Romanian, by attending the annual "Festival de Cannes". And I say daring, not because those who represented us wouldn't obtain there, but that concrete results are not seen here, not everyone knows them. So the challenge to concretely define our identity continues and debate remains open.

Economic **globalization** is a historical process, the result of innovation and technological progress. It means continue increasing of world economies integration, mainly due to trade and financial flows. The term also refers to the movement of people (labor) and knowledge (technology) across borders.

The **globalization** of social relations should be understood primarily as a reordering of time and distance in social life. Our life is influenced more by events occurring on the social context in which we conduct our daily activities. Even if today is experiencing a rapid growth, **globalization** isn't new; it dates from the period when Western influence began to spread in the world two or three centuries ago.

The **globalization** of social relations was first associated with inequalities between different regions of the world, a particular importance having the process by which Third World societies were created. Nowadays, by the competition for domination of territory and possession and exploitation of raw materials and cheap labor force, it is carrying a new struggle for possessing information (Jean-Francois Lyotard, The Postmodern Condition, Ed Babel, p. 21). This opens a new level of industrial and commercial strategies but also for the military and political. Thus, the problem is likely occurrence relations between economic and state courts.

In recent decades, these economic courts were able to endanger the stability of the state courts, due to new forms of capital movement that was generic named multinational corporations. These forms make decisions on investments to escape, at least in part, of state-nations control. Reopening the world market, the resumption of sustainable economic competition, loss of exclusive hegemony of American capitalism, the decline of the socialist alternative, and many other factors have brought the countries to review their situation seriously accustomed role to play after the '30, which is protecting, guiding and even investment planning.

In this context appears the paradigm of socio-spatial development with the two opposite terms: **individualization** and **globalization**. The latter has attracted great interest in recent years because most speeches are not centered on the definition, but rather the very different approaches to this phenomenon.

Globalization is a process that widens the determinants frameworks of social change in the world as a whole. Thus, while social change was initially raised at the local, regional and national focus, now is on **internationalization** and **globalization**. The interest in explaining the relationship between the territorial units and the world as a whole increased, carrying discussions on problems relating to "micro-macro link", "local-global report" and multi-level analysis. The problem that remains open is that of how that go beyond the simple enumeration of the various indicators of **globalization** and multinational corporations and transnational operations, satellite communications, the existence of an universally accepted language, current world problems and addressing environmental global security and peace issues.

Globalization is seen as opposition between, one hand, the human desire to accumulate material goods, and on the other hand, the need for community and identity. In other words, **globalization** is seen as a confrontation between economic/ financial interests (capital markets, multinational corporations, investors) and nation states as cultural, social, economic entities. "Political fragmentation and economic **globalization** are actually allies and conspirators. Integration and parceling,

globalization and territorialization are complementary processes. More specifically, they are two sides of the same process: redistribution throughout the world to sovereignty, power and freedom of action, caused (but not established) by the velocity jump of speed technologies.

So-called “**globalization** processes” results in redistribution of privileges and deprivations, wealth and poverty, resources and sterility, of power and powerlessness, of freedom and constraint. We are witnessing today another stratification process, during which is forming a new socio-cultural world hierarchy. (Zygmunt Bauman - **Globalization** and its social effects).

Opponents of **globalization** accuse Western countries of hypocrisy. And they are right. Western countries have pushed poor countries to dismantle customs barriers, but they have kept theirs, thus preventing developing countries to export agricultural products and depriving them of income they needed desperately.

Human society has become too vast to form a political body. Citizens are increasingly less able to express a complex collective sovereignty; they are only legal subjects, subject to holders of rights and obligations, in an abstract space with territorial borders increasingly indecisive. Thus, information that controls the turbulence in financial markets, the ability or inability of firms to overcome the subjectivity of financial markets, determines the fate of the company. Thus, in this sense, firms do not rule the world, because they can not control the global economy itself.

There are many factors and influences. There isn't an executive committee of the capitalist class to plan and lead the world. But on the other hand, companies and governments do not rule the world, as new actors appear progressive: social movements of all kinds, new identity, community movements and movements of activists: the environment, feminism, etc., which ultimately configures plans for corporations and government institutions.

At this point, the world's governments have a huge crisis of legitimacy. Kofi Annan launched an international survey in the fall of 2000, which found that two thirds of the world is not considered representative of their governments. And this is true for countries with an advanced democracy, the U.S. and other, the only exception is Scandinavian countries. Thus, it appeared that citizens do not trust their governments, in fact, do not trust anyone except themselves and their identity they belong, and in some cases, social movements with alternative values.

And in this sense, the complexity of our world is that government institutions collapse, while on the other hand, networks of technology, capital, production, organize our lives, wherever we are, while alternative sources of values and interests are developed in response to that dominance, because people lack the institutions to consider their requests. There is still a key issue: the influence of **globalization** on democracy. As was expected, **globalization** seems to replace the dictatorship of national elites with international finance and dictatorship. **Globalization** involves both a series of positive, innovative and dynamic, but also many negative aspects, disturbing and marginalized.

In terms of positive effects, relations between states and individuals are deeper than ever. Digital world exports in 2000 to 7000 billion dollars, representing 21% of GDP, compared to 17% in 1970. Direct investment abroad reached U.S. \$ 400 billion in 1997, ie 7 times more than in the 70s. This process of global integration is the result of political changes in the optical - to promote economic efficiency by:

- Liberalization of national markets
- State disengagement on many economic activities

Although the origin of the process is recent innovations in communications technology, integration is still partial: borders remain closed, especially in the way of low-skilled labor.

However, these trends mask some differences: great progress, but also huge backlogs, gaps and inequalities between countries and regions, poverty is everywhere today. In industrialized countries,

poverty is masked by statistics, and yet one in eight is affected either by long-term unemployment or a life expectancy below 60 years, or an income below the national poverty level and a poor training that doesn't overcome the situation.

In some countries, human poverty indicator shows large disparities in areas such as in the case of India, where poverty is twice as high in the state to the Kerala region. At the same time, inequalities between men and women are still striking. In many developed countries, women are almost totally excluded from political life. Women occupy 30% of the seats in parliament only five countries in the world, in other 31 countries female parliamentary presences are less than 3%.

Despite their flexibility, global expansion processes can be developed only where there is precise time synchronization with particular production phases or operations, which take place at various locations. The concept of "just in time" has become increasingly important.

GLOBALIZATION VS. INDIVIDUALIZATION

In opposition to **globalization** process is often used concept of individuation. This refers to the processes of growth of autonomy and differentiation at individual and collective actors. Both processes have their own characteristics and can be found either in relation to the line or in opposition.

You can ask questions about the relationship between the two, considering whether a high level of **globalization** implies a low level of individualization and vice versa, or as a step towards individualization draw a regression in the sense of **globalization**, being ignored interrelations established between these processes.

We can ask what will be the result of **globalization** and whether it is possible that in future the world may become a unique political system led by a world government. **Globalization** is one of the most important social changes facing the world today. Many of today's fundamental issues, such as ecological issue and avoiding world military confrontation, are for the purpose, of global importance.

Despite the sharp rise of economic and cultural interdependence, world system is characterized by inequality and divided into a 'mosaic' of states, whose concerns may cause collapse of capital markets or the crime. There isn't a clear demonstration of political consensus in the near future, to overcome conflicting interests of states. A world government may appear eventually, but it will be the result of a very long time. In many ways the world becomes more united, and some sources of conflict between nations tend to disappear. However, large differences between highly developed and poor societies can easily be sources of international conflict. Thus, there is still no "world agency" that can effectively control these tensions and to achieve a redistribution of prosperity and peace in the world.

NEW TYPES OF SOCIAL RELATIONS

From the perspective of sociability, **globalization** has implications on two levels. The first is that of sociability as such - the **globalization** of networking change intimate human structures, the second plan envisages the macro-level social relations. In the latter plan changes occur in the way of making decisions - assumes a special importance networks of interests based on sophisticated logistics of communication networks, state and national state ideology enters into a new crisis (first, after the aggression of Nazi and Soviet twentieth century totalitarian-anarchies), etc.

THE HUMAN SOCIABILITY

"Breaks" - Th. Friedman

There are two major implications of communication **globalization** on human relations: instant contact / permanent and social alienation of those in contact. Of course, these traits are not always manifested simultaneously, but this effects-features of communicational **globalization**, largely affect social relationships. Th. Friedman, commentator on "The New York Times", holder of three awards Pulitzer, brings together the implications of this under the term "interruption": people are together, usually as a result of such instantaneous communications (internet, mobile phone, etc.) but are perfectly separated, even if functionally interact. Here is a paragraph of the story described by Friedman.

"I pointed to myself as the person he should meet, and he nodded and continued to talk to who's been at the other end. When my luggage reached, I grabbed the handle; the driver pointed to the exit and I followed him, while he continues to talk on the phone. When I entered the car, I asked him if he knows where is my hotel, and he replied that "no." I showed him the address - then returned to the phone call. After the machine was set in motion, I saw that play a movie on the console screen - the display flat which usually presents GPS navigation system. I noticed this because between his talking on the phone and movie, I could barely focus. I, unfortunately, was on the seat of back, trying to finish an article on laptop. When I wrote everything I could, I took the iPod and I listened to a Stevie Nicks album, while he continued to speak, drive and look at the film. When we reached the hotel, I reflected on the trip: me and the driver had been together for an hour and both had made six different things: he drove, spoke on the phone and looked at film, I traveled, I worked at laptop and listened to music on my iPod. One thing we didn't do: to talk to each other." - Thomas Friedman, *The Age of Breaks*, the "Business Store" nr.107 (44 / 2006), p. 74

CYBERSPACE IS MORE THAN A TOOL

What determines new implications of human sociality and sociability is the revolutionary character of the new communication technologies and management of space and time. Paradoxically, the new tools make possible control over these two coordinates of identity and human knowledge by transforming them. For the first time man has built a communication tool that is more than a mere extension of his senses but a technology that redefines the space and time by annihilation of their traditional meanings. Space and time as physical dimensions does not matter in social relationships mediated or computer generated any more. This is because the car has "its own logic," an operating system with other additional programs that limits human access to knowledge, actions, even emotions, etc. Moreover, the machine has the ability to supervise the correct functioning of "logic", a process that can be attended only by some people with specialized training and strict access. The second source of extinction traditional space and time is that car use involves by itself recreating space and time (virtual reality) through multimedia techniques. A third question is human-machine interactive relationship. The computer can not be used as a simple phone call or simply dig. But the computer can work very well both the phone and as a dig. This requires that, at least when scheduled starting or stops, the man behaves interactively with car. This feature derives from the first two: car has logic and recreates space and time.

Cyberspace technology is so very demanding for the individual. At the same time is very useful. The individual can become self-sufficient in terms of strictly functional to the other individuals. To earn a living and even for fun (socialize), the individual can live, at least apparently, well only with computer that integrates him into the vast network of cyberspace, along with other individual users. Human sociality condition degrades because many people attend the condition of ordinary users of cyberspace network. Individual user decides anything, he just uses the computer, in conditions offered by the computer (obviously planned, sometime, somewhere, by an administrator or engineer, who isn't there with the machine, so getting decisional autonomy instead of administrator with logic limits within the operating system). Turning to the individual condition, the process by which cyberspace enhance and encourage solitude is called "multiplication polyphonic, ... isolation, ... fractured access to universal civilization "" etc..., typical ingredients of psychoanalytic type diseases. (Baddeley in Loader, op.cit. P.83)

SOCIAL RELATIONS OF DEGREE THREE AND FOUR

The person becomes an informational proletariat - an individual who can not control relationships, which can not decide on his work (including access to product and pay) that, at most, as shown Tonnies the late nineteenth century, decide the moment of itself renunciation (when hiring).

Social space is dividing, the person is becoming lonely and social relationship tends to be anarchic in the absence of the functionality of great traditions (of the large community, considered obsolete or inapplicable).

The implications of the cyberspace human relationship are also like technological revolution. By obliterating the traditional meanings of space and time, people are faced with situation of interact outside the family environment defined by communities. This familiar framework is circle of traditions and values that ensure that by not much interaction "quiet" between people. By communities spreading, the role of social control is of interest networks and computing machinery with which they work.

In terms of Craig Calhoun, in cyberspace societies we could distinguish four types of social relationships. The first two are already known:

1. **Primary relationships**, face to face type. These are crucial for socialization process and for maintaining internal cohesion of social structure. These are typical for traditional societies but there are in modern societies. Primary relationships are cultivated by social spaces through conservative excellently, meaning preserver and sociality generating, as family.
2. Indirect, **secondary**, formal **relationship**, specific to industrial societies. These are typical for bureaucratic structure of organizations and ensure predictability of institutional behavior.
3. **Tertiary relationships** are typical for societies dominated by cyberspace. Their characteristic is that they are entirely mediated by binary logic machine, computer. Individuals can maintain long time contacts without their physical presence in the proximity of one another. What human nature ensure to this type of relationship is that individuals mutually recognize and come into contact with each other by reciprocal will, and can identify each other. By computer or by computer-mediated technology many people can be in more or less personalised contact with one another. Social relationship becomes part of a database. Typical relationships are also databases of customers, where customers are enrolled with their consent.
4. **Quaternary relations** express a less positive part of the great power of communication from cyberspace. Social relationship actually reduce to monitoring, it is thus deeply degraded, at the social limit. Aspect of cyberspace put in contradiction new informatical technologies with mankind ideals on democratic society. Quaternary relations characterize the constant people surveillance process without being aware or having consent to those interested in data transmission.

An example of relationships at the tertiary and quaternary boundary between relationships as data mining - the process of looking for matches between an "objective" (set targets) target (s) of a limited partner and a mass of available / pending collection of data about "target" (target audience) who limited partner may be interested, using analysis of patterns of behavior / communication recorded information.

Calhoun, C. (1992), "The Infrastructure of Modernity: Indirect Social Relationships, Information Technology and Social Interaction", in N. Smelser and HAFERKAMP H. (eds), *Social Change and Modernity*, Berkeley:

"Obvious cases of listening in to a cellular telephone call or hacking into the computer database must now be placed alongside the routine use of personal data for purposes other than that for which it was collected. Details gleaned from warranty forms and incorporated into marketing databases then show up as junk mail ... ", p. 158.

The idea of *consent* underlines the affinity between democracy and privacy, for it is important in the discourses of both domains. Democratic theory holds that authority is sustained by the consent of the governed; similarly, privacy protection involves the individual's consent to the use of her of his information, although this is far from easy to exercise. Consent to government's authority is more confidently given where government is publicly accountable and its actions reasonably transparent. This is why 'open government', or 'freedom of information', is seen as necessary. To the extent that electronic media make much more non-personal available to many more people, they may be a significant asset to democracy ... Democracy requires transparency about the use of *personal* data as well. Similarly, data protection systems assume that consent to others' use of one's personal

information may be genuine only to the extent that data users are transparent, and thus accountable, about what they are doing with it.”

Culture, education are those that maintain hope and assumes escape reality from the next issues, from the less favored structures of society, to a superior condition. Economic and social stratification is inevitable, complete elimination of a social structure is most likely impossible, but social decency and political stability require to make effectively possible and to be recognized the chance that anyone can perform. In the early years, 80, a report to the Club of Rome, entitled "Limitless horizon of learning" claimed there was a gap created between the increasing complexity of man-made world and its ability to cope. At that time stated for the first time that mankind has an inexhaustible resource - learning. Knowledge is inexhaustible and non-exclusive, but conception of learning must be changed. "We are at the beginning of the third wave. Thought naturally takes us to the electronics and communications. These industries aren't polluting, consumption of raw materials is reasonable, production costs are in an emphasized reduction and people communication need is unlimited. In other words, all conditions for a new phase of economic growth is fulfilled. A new economy is born, based on knowledge, rather than on conventional materials and physical labor". (Michel Didier, Economics: Game Rules, Humanitas Publishing House, Bucharest, 1998, pg.26). Scientific knowledge paradigm changes education data. Education and training systems must adapt to new realities of the twenty first century. **Globalism** is not a deliberate construction of states. Main agents of **globalization** are not economic prevalent phenomena. Regionalism is an intermediate step towards **globalization**.

Globalization is realized by trade, finance, manufacturing and technology. **Globalism** is not endowed with institutions capable of generating common policies. States are called upon to assure, in their areas of competence, social rights. **Globalism** does not have the means to solve social problems. Contrary, it enlarges disparities. **Globalization** is very available and very free. For some, **globalization** is necessarily something you have to realize if you want to be happy. By others, the source of our unhappiness lies precisely in **globalization**. It is obvious for everyone that **globalization** is implacable destiny to which everyone is heading, an irreversible process that affects us all, but not the same as, nor in the same way. And also it is certain that the individual is connected to the universal of people, institutions, bodies, sources of information, documentation, training, etc. As a result of relationship of interdependence development that affects each of us, the world has become, as important aspects, a single social system. This is not just a social environment within which specific societies grow and evolve. Social, economic and political ties that cross states boundaries decisively influences the fate of those who live in each one. The general term used to describe the growing interdependence of human society is **globalization**. It would be wrong to think of **globalization** as a simple process of increasing our world unity. The **globalization** of social relations should be understood primarily as a reordering of time and distance in our social life. Increasingly more events are occurring far from the social context in which we operate daily. National economies can be questioned though national interest requires that regionalism or globalization integration to meet the aspirations of well-being. There is a disappointment to recover wealth distances because it was a misunderstanding and delusions associated with concepts. In a simplistic way, he believed that democracy is the opposite of regimes removed in 1989. Concepts have been compromised: effort, discipline, rules, fairness, authority, effectiveness, general interest. ONG launches attractive utopian callings. Contemporary age fluidity individually faces danger of dislocation of the cultural group comfortable membership, but especially with the chance to access new issues, problems and desires. **Globality** is a new source to form its own identity based on a reflective process, with the support of information and knowledge. Lifestyle changes are facilitated by images collected from the media, by the collapse of the dominant narrative forces. Binary logic is not enough when we approach social phenomena.

Today modernity and civilisation is global and well-being depends on external contexts. "**Globalization** not only disadvantages the weak but I hurt those careless" (Mircea Malita, Ten thousand culture - one civilization, Nemira, Bucharest, 1998, 2001). Civilization is unique, operating with the same recipe for creating wealth. Without civilizing project of unifying Europe they would have remained a mosaic of cultures, beliefs, ideologies and conflicts. Why not start building the EU, culture? Polarity civilization / culture helps us to simplify things: learning is a process of resonance,

fertile interaction, mixture, combination, between civilization and culture, represented by their constituent elements. Because knowledge is about objective facts and cultures maintain relatively mobile scale of values, we could say that learning facts and values and knowledge economy change all education data values. It's hard to organize education in the world without knowing how individual learning occurs. In addressing global problems and especially development, is necessary anticipatory and participatory societal learning. We need to plan our learning throughout life and see how, through a programmed learning on their own pace at work and in formal education and training, we can remain vigorous in changing economy. Dissatisfaction, disgust, depression became major features of individual in Romanian society. As the triumph of consumption rise, the proportion of cases of deterioration of mental health, psychological suffering is worse, the difficulty of living. Pregnancy is exhausting to be subject, generating depression and assumed increasingly difficult. Hence the multiplication of cases of mental imbalance, cascade failure and personal feelings of inner insecurity.

Economic circumstances, social conditions at work, social and material instability, acts of individual self and the national self. If you take a past gone socialization, life has not become easier, it ceased to provide identity security and community support. Customs and traditions were shattered and structuring and consumption revolution has left individuals in their care, they must face the difficulties of existence without the benefit of regulations and collective support. In these circumstances each tend to turn increasingly toward self and see if all the separate of accomplishment. Each one is tempted to think that his personal life does not resemble what he can claim. Welfare civilization feeds in mass proportions, existential frustrations and failures. Society, not the individual is responsible for non-existent self-esteem, and behind the company, the government is one who has to build a society in which individual self-esteem can flourish. Changes in family education promotes modern epidemic of discontent. Traditional and authoritarian type education was replaced with a psychology education without obligations and without sanctions, following the child's personality blossom, full satisfaction of desires, immediate happiness. No more penalties, it does everything for the child, he is not unhappy. It does everything, in some cases, to avoid exhausting conflicts that the child may have with himself and unpleasant situations that might be.

Coercion is treated as parental maltreatment and apostrophizing with a form of violence condemnable as it can lead to frustration, inferiority complexes and other shortcomings. Parents have given up enforcing stable frame on the grounds that it would cause violence and child's personality and inner suffering. Stop trying to impose a sense of limits, respect and obedience. This education, unconsciously certain ways that use open psychoanalysis and new pedagogical theories from twenty first century beginning, has become socially with the development of consumptionist civilization and its hedonistic ideals. The refusal of the child appeared to frustrate educational style consistent with the values of comfort and well-being individualistic. Such transformations of educational sphere, extended to the formal education can not remain without consequences on the individual's mental life. One of the effects of this education is that it tends to deprive the children of rules necessary for the orderly and regular their mental structuring. It follows from this a strong psychological insecurity, vulnerable personalities which have no inner discipline, no social integration structural schemes. Disoriented proliferating, fragile, personalities marked by identifications weakness and inner strength. Phenomenology of Emo events is a reflection of mental and emotional disorders associated with these wrong with certain clothing styles, music or teenager observable behaviors. Child loses its ability to overcome frustrations and adult is becoming increasingly less prepared to face conflicts, reverse shock to support the existence and circumstances.

Deinstitutionalization and psychologization processes have destabilized subjective identities. Poor living and poverty prevents them from participating fully in activities and entertainment spacifice consumer market. This result in an exacerbation of the sense of exclusion and frustration with the deviant behavior. For the individual is increasingly important to not put in a state of inferiority, to not be impaired dignity. Knowing than school failure and instability, many young people despise work, has a tendency to justify small delinquency as a means to procure money and participate in the dominant modes of life presented by the media in parallel with the deinstitutionalization of family and school authority regress assist the conduct of minors deregulation hence an erosion of the sense of

limits, rules and prohibitions, a new psychic economy characterized by: the disappearance of inhibitions and lowering the threshold of tolerance to frustration.

As family and community regulations come into dissolution, individuals need to define themselves, to build their own identity even when the economic order impose them unemployment and precarious existence. What car drive, where you go on vacation, who your friends are, what do you do in everyday life, all these reflect your self-identification. Values have a huge emotional power. To some individuals put itself in self-questioning, to others he reencarnate in violence as a way to give a status. Violence allows transformation of despair into subjective statement, the source of consideration and gratuity in certain environments. Violence is a tool that mobilizes young people to impose it in front of others, and to compensate for school failure and to manage inferioritaea. Violence no longer builds on the traditional model. Appears as a vector of personal singularization that turns failure to value. Task to be subject become exhausting, generating depression and difficult to assumed. Hence the multiplication of cases of mental imbalance, feelings of personal failure and inner insecurity cascade. The school ceased to be strictness, high standards and respect space. Look around and see how institutions are emptied of content.

Superficial fascination came to power: visual consumptions, electronic, cheap fun industry diminishes the educational role of the book. Absence from school, decorative presence, indifference to the role of learning in the equation of becoming, lack of exercisem intellectual mediocrity, the evolution to limit, the ability for the disorder, formal frequency, non-involvement make education time spent in arcades institution parodic, without stakes and content, exploited in one's sense: exhaustion by various means and input freedom time. Teachers can not impose themselves as intellectual, educational and cultural model. Today society became field manifestation of all the freedom, in forms out of morality and law control. Freedom without law, education and awareness generated spiritual and social chaos. Nowadays man places himself in the center of the universe he created - the image and likeness. A new type of antropocentrism is build. But education necessarily passes through access to knowledge, by imposing content and methods of learning processes more or less coercive. Education Time is seen as an enemy of freedom, space of constraints and the threat to identity. School is in competition with the new information technologies. They facilitate uncontrolled access to diverse and plural worlds, increasing the extent of socialization and learning opportunities, but without ensuring ethical and critical faculties and acquire necessary balanced personal guidance in negotiating with the world. This may result in denial trends emphasizing the values, norms and identities consistent, so an accelerated process of social and individual fragmentation. Parents sometimes give computer and TV almost narcotic use for their children. It is necessary, therefore, the definition of axiological criteria, the ethical principles associated with the new information society type of relationships that lead to a new civilization in which information technologies to the development of human personality contrubute and not to degradation.

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The Principles and the Characteristics of the European Communitarian Law Philosophy

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Abstract. *An approach of the European Community Law from a philosophically point of view witnessed a great audience within the last half of the 20th century, having good results in the creation of some real strategies about the integration. That is why some general, traditional wise values were assumed as basically for the European Community Law.*

An important aspect in the foundation of a new practice of the science of law, based on the values of the philosophy, emerges from the fact that the community law is different both from the science of general law and the international law. The new directions of the community law were adopted by the sovereign states, which signed institutive community treaties. The philosophical approach is that by signing the community treaties, those sovereign states accept to transfer a certain part of their national sovereignty into the account of the new created communitarian institutions. On the other hand the transfer of sovereignty must not be understood as a threat for the national integrity, but as a chance of integrating into larger and more efficient structures.

From this point of view, the present work initiates a debate upon the main characteristics of the community law, the way in which the concepts of political and juridical philosophy contribute to the creation of the new mechanism and procedures of the European community law. Having a clear image of these aspects means a great importance for the Romania succeeding to its adherence.

Keywords: law, principles, European Community, sovereignty

INTRODUCTION

Speaking as a principle, in order to define the political and juridical concepts there must be fulfilled some logical requirements but also some doctrinal aspirations. The difficulties are even bigger when we speak about the concept of “community law” which designates a different reality from that of the national law and international law. That is why, in order to clarify the precise definition which says that the law comprises the whole juridical principles that regulate the legal community order, one must illustrate some aspects of the evolution of this kind of legislation.

In this direction one must notice, on one hand, that the community law, juridical principles have been adopted primarily, by the sovereign countries, through international treaties. In other words, the basic community law principles are backed up by the sovereignty power of the countries that have accepted to sign treaties, under the cover of overnational institutive treaties, having the ability to create, at their turn, juridical principles, respectively, derived community law principles.

On the other hand, this means that the respective sovereign countries, by signing institutive treaties, have accepted to transfer some of the duties of the national sovereignty in the account of the newly created communitarian institutions. The sovereignty transfer must not be understood as a threat creating a national disintegration, but as a chance for the integration within larger and more efficient structures. In addition to this, one must not forget that by means of institutive treaties the sovereignty transfer of the adherent countries has been made focussing upon well delimited fields, and as compensation they have achieved the right of the community law, as a common instrument, integrated to the national law systems of the communitarian countries.

It results, from a strict juridical point of view that, the community law comprises the primarily institutive legislation and the derived legislation. Further on, the primarily community law also comprises the juridical principles emerged from the institutive treaties (Coal and Steel European Community, Atomic Energy European Community and European Economic Community), including the conventions and the attached proceedings and also the subsequent Community Treaties, respectively the adhering documents of the newly received countries. And the derived community law comprises the juridical documents adopted by the communitarian institutions as time passed.

In order to understand these defining elements, as characteristics of the community law, every explanation must be connected to a philosophical point of view, as a principle, in order to justify the logical doctrine of the European construction as a whole. Because, only by getting closer to the theoretical and practical rationality of the working mechanisms, we shall be able to see the essence of the European countries process getting near. Or, in the very middle of this great enterprise there is situated a very delicate problem, that of the conciliation between the principle of the national sovereignty of the countries and the aspiration to the over-national integration. The long debates developed around this problem have led to the appearance of two contrary concepts which influence the content and the speed of realizing the communitarian projects.

1. DOCTRINAIRE PERSPECTIVES CONCERNING THE CONSTRUCTION OF THE COMMUNITARIAN EUROPE

On one hand this chapter deals about the “intergovernmental” doctrine, supported by the politicians, being preoccupied in maintaining the sovereignty of the countries, by proposing a kind of cooperation inside the community and between the national governments, under the control of some permanent institutions but not permitting them to have a decisional power upon the member states.

On the other hand it is about the “over-national” doctrine, supported by those who want the existence of an overstate federal community, insisting upon the transfer of sovereignty from the member states towards an international superior authority having a decisional power.

Between these two doctrinaire, opposite directions it was situated and it is still situated a battlefield of the strategic paradigms of the achieving of the European integration process. Thus, it has appeared, in the second half of the 20th century, several theoretically projections and among them, the most important seem to be: the functionalism, the realism, the neo-medievalism and the federalism.

1.1. The functionalism theory, based upon a pragmatic logics has enjoyed a great audience within the period of the creation of the Coal and Steel European Community. Those who have adopted this theory were sceptical, thinking of the capacity of national countries to solve major internal and external problems and they supported the necessity to realize the European Union by giving value to the game of interdependencies, following an upwards way beginning with concrete economical actions towards a political federation. The functionalist ideas of David Mitrany have been developed in new formulas by Ernst B. Naas, Leon Lindberg, Philippe C. Schmitter and Joseph Nye.

1.2. Contrary to the political idealism, the realist theory, inspired by Thomas Hobbes’s concept concerning the natural estate of the rivalry between people, sustains that the state should remain the main subject of the international scene. Considering that the sovereignty is not devisable, the realists have pleaded in order to support the idea that the state keeps its full authority up to the higher levels of the political decision. Thinking of the communitarian institutions, these are accepted only if they play the role of some instruments meant to reinforce the power of the member states. Thus the European integration can’t represent but the expression of the intergovernmental ratios and exchanges. The realists also consider that the activity of the communitarian institutions must also be the duty of governments. Among those supporting the realist theory, the most important are Stanley Hoffman, Robert Keohne, Keneth Waltz and Andrew Moravcsik.

1.3. The neo-medievalist theory, called like this under the impression given by the comparison between the social medieval situation, characterized by the political and estate dissipation and the

scene of the endeavour of the European integration where a net of actors is acting, supports that the European Union means a new type of government, difficult to be defined, having instruments situated at different levels, insufficiently clarified from a juridical point of view. The particularity of the Neo-medievalist theory, represented by Philippe Schmitter, comes from the fact that admitting the presence on the political scene, besides the member states and the communitarian institutions, of some other actors, these being the non-governmental organizations, ethnic groups, cultural groups, euro-regions etc.

1.4. As a reaction to these nationalist radical opinions, **the theory of European federalism** has become first. Being convinced of the weaknesses of the nation states, states made responsible for the two world-wars, those who adopted the federalism pleaded for a federal state, seen as an European political construction based upon a powerful institutional structure having in its very heart the European Parliament. As main representatives of the federalist theory there can be mentioned: Denis de Rougemont, Henri Brugmans, Altiero Spinelli, Susan Sidjanski and Joschka Fisher,. The idea of these politicians enjoy a great audience and that is why the Romanian researcher Adrian Liviu Ivan from the city of Cluj supports the fact that “the contemporary European federalism earns more and more supporters, the European federal state being strongly backed up both by the political and community groups of supporters” [1].

A thing is very clear here, the fact that the whole actual European construction is the result of a struggle between the political forces acting under so many doctrines and theories. It results then that each of these theories brought a specific influence upon the community law system. This means without doubt that the community law principles must be explained starting from this political, philosophical basis. This is the hypotheses whose justice will be proved further on the present work.

1.5. Jean Monnet and the practical philosophy of the European Union

The history of Jean Monnet's economic and political ideas has remained unknown for a long period of time. Moreover, even today, after extensive research referring to the intellectual roots of European construction, the opinions regarding this personality are often different. Referring to the structure of the personality of the French diplomat, Traian Ungureanu, feels compelled to remark: „discreet up to self-annulment, Jean Monnet had two intimate convictions. He cultivated them without abatement, with a silent patience, close to mystical in nature, and gradually turned them into historical forces. They have speeded but the accounting rebirth of the honourable company J.G. Monnet and they changed the face of Europe, after a low and uninterrupted work which had the negative effect of geological erosion, but fertile bore proselytes and a political cult. The first of the convictions hidden under the forehead of this civilized and laborious man, a real copy of the virtual image of Hercule Poirot, has been the importance of direct relationships within a closed system. From here stems the belief in the efficiency of the conclave and the preference for the decision taken within an elitist brotherhood. The second, stemming from the first: the aversion towards the uncontrollable, polemical and disorganized nature of open systems. From it, came the dissolvent woven thought of national democracies, furthermore, the fear of politics in the classical sense and the preference for an avoidance and delay technique (the compromise), to the detriment of the principles. All these attitudes will form, after a prolonged refinement, the articulations of «the European Project»” [2].

It is understood that, after two and a half millennia of European political thinking, Jean Monnet's ideas were not new. But if they were accepted, it means that the politicians of the 20th century had reasons to fear the caprices of the history of their own continent. It is certain that in this context, with the occasion of the speech at the inauguration of the activity of the High Authority, the main institution of the European Community of Coal and Steel, Jean Monnet, assigned president of this institution, stated the following: „For the first time, the traditional relationships between states have changed. According to past methods, even if the European states are convinced about the need for common action, even if they set the basis for an international organization, they fully reserve their sovereignty. At the same time, an international organisation can neither decide, nor execute, it can just make recommendations for the states. These recommendations are not able to eliminate our national antagonisms, which are inevitably accentuated, as long as the sovereignties are not overcome”.

One year later, referring to the importance of supranational institutions in the process of European integration, in a speech held on September 11, 1952, Jean Monnet stated: „The life of institutions is longer than that of people and thus, institutions, if well built, can accumulate and transmit the wisdom acquired by successive generations. The great European revolution of our time (...) starts these days, when the first supranational institutions of Europe are founded. Our common supranational institutions are still weak and fragile; our duty is to respect and develop them, to give them a power to protect them from our tendency for compromises on the spur of the moment.”.

The European community model has been created slowly, against the current, through probing and subterfuges. The matter of European unification was an old one, but at that time – the half of the 20th century - a political strategy for the federalization of the states had no chance of being accepted. The idea of the modern state is produced by our rationalist, renaissance thinking, created to make some order on the multiplicity and diversity of medieval forms of political or religious authority. The practical hierarchical classification of these powers, often competing, has hastened the consecration of the sovereignty principle. This means the state has asserted itself as an unsurpassed political horizon. And this situation has lasted until the post-war period, as the main obstacle before the partisans of European construction. With other words, the idea of European unification had to be nurtured with prudence, because it required the modification of the attitude towards state. That is why, the invention of the community model that was to be, would result after a series of heated debates, based on compromise logic.

The plan of the European construction, drawn up by Jean Monnet, was based on a **federalist functional vision**, centered on sectorial economic integration. Despite its limited powers, the European Council, created on 5th May 1949 through the Treaty of London assumed the role to make sure individual freedoms were respected and democracy values promoted. Even if it seems to be an institution subject to classical regulations of international law, the European Council has actually carried out original activities with notable effects on the sovereignty of signing states. The competence of the European Council is to suggest conventions that are simple treaties governed by international law norms. Among its app. 150 conventions drawn up, the European Human Right Convention, signed in 1950 in Rome has a special importance. The text of this document has the novelty of introducing an original mechanism for the legal protection of these fundamental rights and freedoms. At the basis of this mechanism lies the principle of the signing states' recognizing a superior court to watch over the abundance of these rights, which means a self-limitation of sovereignty. This court is the European Human Rights Court, with headquarters in Strasbourg, whose decisions have mandatory power.

We can notice that, even from its preparatory stage, the process of European construction has been under the sign of political confrontation between “unionists” and “nationalists”, and the confrontation on the economical field between the supporters of the free exchange doctrine and that of the protectionist doctrine. With other words, from the point of view of politics, the confrontations aimed at the institutional “form” of the integration, while on from the point of view of economics, they focused on the “content” of the cooperation. Analysing the confronting forces with great attention, Jean Monnet has reached the conviction that “the European project would not advance provided the political polemics around the institutions would not cease (very sensitive, since they referred to concepts and symbols), to focus on the content of the cooperation. The strategy change means favouring the fond over form, with the secret hope that the fond will ultimately attract form”. Moreover, Paul Mignette stated: “because of a professional incline, Monnet would have preferred without a doubt to promote a dirigiste production and commercialization plan, in common, but he knew that this orientation would have met with great reticence from Germany and United States' side. He has the precaution to present his project under a form more accessible for the liberals: a common, open market regulated by a public authority. From the beginning, Monnet leaned towards a synthesis of the two great economic cultures of that time: free exchange and protectionist dirigiste.” [3]. Thus, ultimately, “the free exchange/dirigiste alternative has stopped in an equilibrium, just as the national/supranational alternative. The selection of the technocratic model against the political one is transparent. Yet not definitive” [3].

But as it happened during the negotiations of the Treaty of the European Coal and Steel, the technocrat orientation has been diminished, reaching a balance between political and non-political representation. It is certain that, together with *the High Authority*, super-state technocrat institution, for the coordination of CECO activity the following institutions were setup:

Special Ministers Council, intergovernmental body authorized to coordinate national policies; *Justice Court* meant to supervise the legality of the functioning of the European mechanism and intervene to solve the differences between member states; *Parliament Meeting* with control role, an institution J. Monnet had not thought about. It is certain that “in the end the balance is the one that prevails, not only on the national/supranational axis (weight of the Council and nature of the treaty-law being compensated by the relative autonomy of the High Authority, major invention), but also on the political/non-political axis (High Authority, central, being framed by the Council and Meeting)” [3]. But Jean Monnet’s thinking went beyond this: “Our community is not an association of coal and steel manufacturers. It is the beginning of Europe”.

2. THE EUROPEAN COMMUNITY LAW PRINCIPLES

The community law, by proposing new, juridical elements, is situated now on a stage of consolidation, a reason why it is permanently compared to the general principles of law. It is, mainly, about the principles of the natural law, emerging from tradition and from the European juridical way of thinking. Having in mind all these and depending upon the major community objectives the capacities of the European institutions may be stated and also the juridical relationship between these institutions and the organisms of the member states.

Concerning the activity of setting up the abilities of the European Community, and the delegation of these abilities between communities and the member-states, there are three governing principles:

- the principle of the specialization
- the principle of the subsidiary
- the principle of the proportion.

The action of these principles, like the axis of a mechanism, gives content and coherence to the whole process of the European construction.

2.1. The Principle of the Specialization. European communities, being thought, even from their initial stage, as organisations meant to fulfil very clearly determined objectives, they have been settled by special treaties in respect of the demands expressed by the principle of specialization. This fact brings serious juridical consequences: “The consequences of these regulations emerge, on one hand, from the fact that the states may ask the annulation of those communitarian documents that have been adopted by overpassing the competences given to the Communities by means of treaties and, on the other hand, by the fact that the states can’t over-pass their own competence resulting from the adhering agreement, occasional actions in this regard being put under penalty” [4].

2.2. The Principle of Subsidiary. The subsidiary concept has a long history and it might be met with great thinkers as Aristotel, Toma d’Aquino or John Cocke. In addition, the significance of this concept is linked to the religious doctrine regarding the relationships between collectivities. The idea that is suggested, following this line, is that great collectivities must not interfere with small collectivities but only in a subsidiary way, thinking of problems that may be solved only at a superior level. In other words, the “centre” must not interfere but only to help the inferior levels and only then when the efficiency of the intervention is superior to that of the basic group.

The subsidiary principle also proves to be very operational within the complicated process of the European Union. The positive implications of this principle have been illustrated, first, in a report of the European Commission on the 26th of June, 1975, that said “the European Union should not lead to the instauration of a centralized super-state. Consequently and in strict accordance with the subsidiary principle, there should not give to the Community but those duties that the member state would be able to fulfil efficiently” (from Jinga, Popescu, 2000). Next, this principle has been mentioned in the community treaties too, beginning with the Single European Act (1986), up to the true statement of the Maastricht Treaty (1992). In its recognized formula, kept within the Treaty of Amsterdam (1997), the subsidiary principle is stated as follows: “The Community acts within the boundaries of its abilities and its objectives attributed to it by the Treaty. In the fields that do not belong to its strict ability, the Community does not interfere – according to the principle of subsidiary – but only in case that the objectives of the intended action can not be realised in a sufficient manner by the member – states, they being – due to the dimensions and effects they generate, better fulfilled by an action at the community level” (The Institutive Treaty of the European Community, from Basic Documents of the European Union Community, 2002).

Within the framework of the European Union the principle of subsidiary is perceived as an instrument of achieving the decentralized political power. The member states, on one hand, have given up some prerogatives of the national sovereignty in favour of the community institutions, but on the other hand, they keep the governmental mechanisms in order to apply the national law. That is why, there must be made a clear distinction between the national power and the over - national power. On this basis, the democracy means that the states should enjoy a greater power in the sectors in which neither the European Community nor the member state have an exclusive competence. In other words, the researcher Viorel Marcu says: “The national ability is the rule, and the community ability is the exception” [4]. And though, Octavian Manolache observes that “The Principle of subsidiary was and it continues to be a principle submitted to some contrary ideas, a fact that has determined the formulation of some directions from the part of the communitarian organisms” [5].

2.3. The Principle of the Proportion. In order to achieve the objectives stated by the institutive treaties, European Communities have been attributed some adequate capacities of action, according to the principle of proportion. In conformity with this principle, “the community institutions will have to act in such a way not to overpass the application of the abilities being necessary to realise the community objectives. The moment when the institution may choose between many solutions of solving its competences, having as an only support this principle, it will be then necessary that the institution choose the less restrictive one for the executor, and in case that some duties must be imposed, they must not overpass the intended goals” [4]. This means that the principle of proportion, having roots in the neo-liberal doctrine, defines the very nature of the European Community. That is why, the Law Court has been giving it since 1956, a central place to the activity of administrative and legal punishment and in regulating the problems concerning the consumers protection and the circulation of persons. Applying this principle, in case that the community law principles are broken, there should be made reference to the community measures, regarding both the national and member-state measurements.

The Treaty of Amsterdam, which modifies some of the provisions of the Maastricht Treaty, contains in its annex an agreement specifying that every community institution should watch the correct application of the principles of subsidiary and proportion. The agreement re-states the idea that the European Community activity should let the national authority a large edge for decision, under the condition to respect the demands of the institutive treaties.

3. THE CHARACTERISTICS OF THE EUROPEAN COMMUNITY LAW

Being an original set of juridical rules leading the organizations and the functioning of the communitarian institutions, the community law is, in fact, special for each member state. In other words, the community law has a specific power in order to be considered a common law in all member states. The characteristics that make it enter the internal juridical order of each member state are:

- an immediate applicability
- a direct applicability
- a priority applicability

The presence of these characteristics put into evidence an essential fact, the one that the communitarian law is not made up either as a collection of international agreements, or addenda of national, juridical systems. In other words, between, the communitarian and national law, there is a special relationship of separation, on one hand, and of a dialectical mixture on the other hand.

3.1. The immediate applicability. Different from the norms of the international law, and viewed as external ones, the norms of the communitarian law get automatically, just from their adoption, the status of a positive legislation inside the internal juridical system of the member-state. The explanation is of a doctrinaire nature, in the way that, while the ratio between the internal law and the international law requires a dual interpretation, the ratio between the internal law and the communitarian law requires a monist interpretation.

The dual concept states that between the internal law and the international law there is a relationship of independence, thus the two systems of law act in parallel. From this point of view it is considered that the international treaties, even those perfectly ratified, produce effects only inside the international juridical order. In other words, the international law “does not regulate the conditions in which the norms stated inside the treaties are integrated in the juridical order of the states for which they must be applied by their organisms and their juridical principles. This matter is let to the free

decision of each state, which regulates it, in accordance to the adopted concept regarding the relationships between the international law and the internal one” [6]. And because the provisions of the international treaties should have applicableness with the legal rules of a member state they must be nationalized, that means to be settled inside a juridical norm of the respective state. In this way “the international norm suffers a change of its nature and it will be applied under its new quality of regulating the internal law and not under that of the international law” [6].

The whole difference is the doctrinaire perspective when speaking about the understanding of the ratios between the internal law and the communitarian law. The place of the dual concept is taken by the monist theory illustrated even by the philosophy of the communitarian law, a theory according to which the two systems of law serve a common ending. Under the perspective of the understanding, the provisions of the communitarian treaties are totally integrated within the internal juridical order, keeping though their initial quality, that of community rules. The consequences of this approach are as follows:

- the community law is automatically integrated within the juridical system of the member-state, without suffering an additional nationalization as consequence of an another justifying document;

- although they are integrated inside the internal juridical order of the member-state, the community norms keep their distinct nature. The proceeding by which the community law becomes applicable for a state by virtue of a document released by the Parliament, this does not mean that it comes from the Parliament;

- the national attorneys’ obligation is to apply the norms of the community law in the same manner in which they apply the norms of the internal law.

3.2. The Direct Applicability. The community law, besides the characteristic of an immediately integration inside the internal order of the member-states, has also the general capacity to directly complete the juridical statute of the particular persons.

And this characteristic of the community law comes evident by comparing it to the situation of the international law. The idea is that initially, inside the dominant concept of the international law, it was considered that the international treaties may directly create rights and obligations only as a task of the states, as international law classical subjects, and not as a task of particular persons, too. Consequently, as an exception, the doctrine accepted also the possibility that the agreeing member-state of a treaty should adopt special clauses concerning this matter, and being applicable by the national courts.

Being appealed to give opinion upon this matter, the European Community Court of Justice, taking into account of the clauses of the Institutive Treaties and of the European Community objectives, has concluded that the resorts of the member-states may benefit of the regulations of the community law, meaning that they may become entitled of having individual rights, even though they are not especially directed to satisfy this purpose. Acting in this way, the European Community Court of Justice has turned a legal international exception into a fundamental community law principle. At the level of the communitarian doctrine, the direct applicableness means “the rights of each person to ask the national attorney to apply him/her the treaties, the regulations, the directions or the communitarian decisions. And it is also the attorney’s obligation to make all these texts applicable, irrespective the legislation of the country from which it comes” [7].

There must be taken into consideration the fact that not all the communitarian juridical norms have the same direct applicableness. Depending on the category they belong, some communitarian orders have a complete direct applicability, others have a limited - one and others have no direct effect, because, by their content, they can’t be applied to other addressees but to those strictly specified.

3.3. The Priority Applicability. Being immediate and direct, the community law enjoys also the characteristics of the priority applicableness. Referring to this matter, Cornelia Lefter, in her work “Institutional Community Law”, illustrates that: “The priority or the superiority of the community law signifies the fact that it is, from the moment of its adoption, immediately and directly applicable inside the internal juridical orders of the member-states and it can’t be put apart by some posterior national norms” [7].

The only solution, in the case of such a conflict, is to give priority to one of these two categories of norms. Because the Institutive Treaties do not contains imperative reference to this

situation, the problem should be solved by the communitarian, juridical doctrine which developed around some real cases claimed in front of the European Community Court of Justice.

Being appealed to give its opinion in such cases, the European Community Court of Justice pleaded for the priority of the communitarian law, adopting the “communitarian” theses according to which the ratio between the national law and communitarian law solves itself following the communitarian law regulations. Giving their support to this thesis, the theorists formulated several logical-philosophical arguments.

First of all, the “communitarian” thesis imposed itself as an essential condition for the existence of the communitarian law and even for the existence of the European integration. We can’t speak about the European integration without having a communitarian law system and at the same time we can’t speak about the existence of the communitarian law if it can’t be equally applied inside all the member-states, as there are national law systems inside of these states that may oppose it.

This means that the priority community law principle is not appealed to produce an artificial hierarchy between the national authority and the communitarian one that may contradict the basis of the integration process, but it is adopted and assumed to guarantee the existence and the rationality of the whole European construction.

Secondly, “the communitarian” thesis emerged from the originality of the communitarian law, from the specific nature of the communitarian treaties and does not spring out from some concessions of the member-states. That is why the communitarian juridical order has its priority against any national, juridical norms of the member-states. Further more, the priority of the community law may be called not only in front of the European Community Court of Justice but also facing the national jurisdictions. Consequently, the answer to the question concerning the relationship between the national, juridical order and the national one is as follows: “From the Court of Justice viewpoint, the traditional liberty of a state in deciding for itself how to fulfil its obligations resulted after signing the Communitarian Treaties, has been concealed by the communitarian juridical order” [7].

CONCLUSIONS

As a conclusion, the juridical nature of the European Union has, as its basis, many logico-philosophical elements sustaining specific objectives and desires for the communitarian construction process. It is true that the three Communities, giving content to the European Union, have been funded by international treaties. This means that the European Communities as any international organization, have their origin in the sovereign willingness of the states. This willingness matches perfectly with the provisions of the international public law.

Starting from this true fact, and in relation to the over-national characteristics of the communitarian institutions, the traditional, juridical doctrine has put into discussion the statute of the European Union, starting from the distinction made between federation, a structure based upon a constitution, and confederation, a structure based upon an international treaty.

The reality proves that explaining the statute of the European Union, there is not enough to operate only with the above mentioned distinction. This, because, although the communitarian Treaties are the result of agreements between states, in their case the provisions of the international law should also be applied. Taking into account this matter the place of the international law has been taken, referring to this matter, by the communitarian law. Thinking of these new circumstances, Jean Paul Jacque says: “The community today is a specific set of rules based upon a distribution of sovereign competences between itself and its member states, the communitarian competences being applied in common, within the framework offered by the communitarian institutional system. This is the sense in which we may talk about the integration. It results that the Treaty can’t be analysed by using the international law, but it comes closer to the form of a Constitution” [8].

The growth of the credibility of the communitarian thesis supposes, beyond the economical and pragmatic changes, also a change of the mentality. In this way, Andrei Marga has written: “If through the term of **paradigm** we understand what the members of a community share together, a cluster of convictions and values, methods inside which they formulate questions and build up answers, then we have reasons to say that, even with different levels, we witness the flow of a **paradigmatic change in Europe**. Our life problems and our cultural interrogations pass without being seized form the **national paradigm**, that had a long way inside the European culture, into the

European paradigm” [9]. It results from here, without any doubt, that facing this change in paradigm, an essential role need to be fulfilled by the philosophy.

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Considerations Regarding the Endorsement of the Promissory Note and its Effects

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Abstract. *Without any doubt the promissory note has a very important place in the international commerce and in a world that is in permanent change this credit title adapted itself really well. Next we shall see aspects regarding the endorsement of the promissory note and its effects.*

The promissory note is one of the credit titles that have a great applicability in the commercial activity and because it is used on a large scale in the international commerce, it made the object of some unitary regulations. Law no 58 from May 1st 1934 regarding the promissory note and the bill payable to order used as a model the Italian Law on this subject. In the conditions of the development of the market economy in our country some measures were taken regarding the use of the promissory note in the internal commercial relationships. Thus, by the Government Decree no 11/1993 some modifications and completions were brought to the Law nr 58/1934 regarding the promissory note.

The National Bank of Romania had certain rules regarding the commerce made the banking companies and the other credit companies. With promissory notes, the bills payable to orders and checks, as well as rules regarding the circulation and the technical and content standards of this payment and credit instruments, according to the international present customs.

Keywords: *the endorsement, promissory note, effects*

Introduction

The promissory note is one of the credit titles that have a great applicability in the commercial activity and because it is used on a large scale in the international commerce, it made the object of some unitary regulations. Law no 58 from May 1st 1934 regarding the promissory note and the bill payable to order used as a model the Italian Law on this subject.

The transmission of the promissory note is being made in the conditions of the law. In order to be valid, the endorsement has to fulfill certain conditions. These conditions are of substance and of form.

The law regulates three aspects of the endorsement: the effect of the translation of rights, the effect of warranty and the legitimizing effect.

In the base of the promissory law the endorsement transmits “all the rights that come from the promissory note”. These rights have an autonomous character. The promissory debtor cannot oppose to the endorsee the personal exceptions that he could hold against the endorser.

1. The endorsement – a natural and typical circulation way of the promissory note

The rights given by the promissory note, like any other patrimonial rights, are susceptible to be transmitted to another person. Because these rights are debt rights their transmission can be made by the cession/ transfer of debt that is regulated by the Civil Code [2]. This way of transmission of the debts have a certain uncertainty for the receiver, and this is the reason for which the commercial legislator put the endorsement as a characteristically judicial instrument of transmitting the promissory rights.

The promissory note – through the incorporation of the rights of debt / claim in the document – comes to fulfill the characteristics of a personal property. But, despite all this, the possession of the document

gives the use of the promissory rights only in the case of “the identity between the person specified in the document and the receiver” [3].

The endorsement is a judicial act through which the possessor of the promissory note, called endorser, transmits to another person, called endorsee, through a written declaration and signed on the title and through the giving of the title, of all the rights that come from that title.

Through the endorsement, the possessor of the promissory note gives order to the one that pays to pay the sum mentioned in the title to the person in favor of which he transmitted the draft.

According to the law even if the promissory note was not drawn in an express manner to order, it can be transmitted by endorsement (art. 13 from Law nr 58/1934).

The endorsement can be “transitive” (when it transfers the property of the promissory note) “in warranty” (when the endorser just wants to make the promissory note a warranty for the new possessor, that will be able to use all the promissory rights, but will not be able to give the title without using a mandate) and by “mandate” (when the endorsement has the character of a mandate given to the endorsee for the collection of the promissory sum or for the conservation of some promissory rights – for example, through the drawing up of a protest) [4].

Being a way of transmitting some rights, the endorsement is an accessory judicial document, and it implies the existence of a valid promissory note.

Usually, the endorsement interferes before the due date. The endorsement has to be prior to the non-payment protest or the expiration date of the legal term for the drawing up of a protest.

The endorser is the holder of the right that is legitimate in the conditions of the law and that is the possessor of the title. The first endorser is the person that is indicated by the drawer as a beneficiary of the promissory note. Because the endorser can give through the endorsement the rights he received, the second endorser is the first endorsee and that the third endorser is the second endorsee. The last receiver, that is the actual possessor of the title, has to identify himself through the long row of endorsements in which he had been an endorser to be the beneficiary endorsee of the prior endorsement.

The endorsee can be any person, no matter if it is a foreigner or if he is involved in the promissory rapport.

The endorsement has to contain the payment order addressed to the drawer, regarding the obligation to pay the new beneficiary the sum of money that is written in the promissory note, as well as the signature of the endorser. If the name of the new beneficiary is not shown, the endorsement is in blanc and the possessor of such an endorsement has the following possibilities:

- to complete the endorsement with his name or the name of another person;
- to endorse the promissory note in blanc again or at the order of another person
- to give the promissory note to a third party without completing the endorsement and without endorsing it [5].

In the same way in which the emission of the promissory note is justified through the prior existence of some judicial relationships between the persons involved in the promissory note (fundamental judicial relationships), in the same way the endorsement has as a basis a prior judicial aspect between the endorser and the endorsee, for example the possessor of the promissory note had to pay to a creditor a sum of money through a loan contract and for the payment of this debt he endorses the promissory note in the favor of his credit.

There are important differences between the endorsement and the cession.

Through the endorsement the endorsee receives a personal and autonomous right, without the exceptions that can be held against the endorser; the one that gets the cession receives the rights of the one that gave it to him and thus the exceptions that the debtor could have invoked to the one that gave the cession cannot be imposed to the one that receives it.

Through the endorsement, the endorser warrants the payment to the main obligee of a sum of money to the endorsee; in the cession the one that gives it warrants only the existence of the claim but not the solvability of the debtor.

The endorsement is put on the title; in the case of the cession a notification of the debtor is necessary or his acceptance.

2. The justification terms of the endorsement

The transmission of the promissory note is being made in the conditions of the law. In order to be valid, the endorsement has to fulfill certain conditions. These conditions are of substance and of form.

The substance conditions. The endorsement is a judicial act and thus it has to fulfill all the general conditions of the judicial act. Furthermore it has to fulfill the special conditions stipulated by the promissory law.

The endorsement has to be unconditional. Any condition that affects the endorsement is considered to be unwritten (art 14 from law nr 58/1934). The law forbids the conditioned endorsement to protect the safety of the promissory note circulation [6].

The endorsement has to consider any claim from the title. A partial endorsement is null (art 14 paragraph 2 from law nr 58/1934). This condition is meant to protect the indivisibility of the title and in the same time the safety of the promissory note's circulation.

The form conditions. The endorsement is valid if it fulfills the form conditions stipulated by the law.

In form relationship or the indication of the beneficiary, the endorsement has the following categories:

- the full or complete endorsement
- the blanc endorsement
- the endorsement of the bearer

The full or complete endorsement [7]. The complete endorsement also called the full endorsement is a declaration of the endorser, signed by him, that contains the order given to the main debtor to pay to the indicated person the sum of money mentioned in the promissory note.

According to art 15 from Law 58/1934 the endorsement has to be written on the promissory note. If because of the high number of endorsements the space is not sufficient, the law admits that the endorsement to be written on a sheet of paper that attached to the promissory note (allonge), with the exclusion of a separate sheet of paper.

In the absence of a legal disposition, the mention regarding the endorsement is usually on the back of the title (endorsement). The transmission of the promissory note through endorsement is also known as the endorse of the promissory note. The endorsement can be written on the face of the promissory note, but with the clear statement of the nature of the judicial operation, not to be confused with the endorsement on a bill.

The endorsement is expressed through an adequate formula: "pay to" or "paid at the orders of" "in favor of" or through a simple formula like "to X". In the case of the full endorsement this formula has to contain the name and the surname or the name of the endorsee. The naming of the endorsee is made under the same rules as the indication of the beneficiary.

The mention that contains the endorsement has to be accompanied by the autograph signature of the endorser. The signature has to contain the elements required by the law for any promissory signature (art 8 from law nr 58/1934).

The law does not require the indication of the endorsement's data or the place it happened. The mentioning of the date presents interest for the establishing of the endorser's ability and to determine the effects of the endorsement. The endorsement that does not have a date is presumed to have been made before the expiration date mentioned by the law for the drawing of the protest (art 22 paragraph 2 from law nr 58/1934). The date of the endorsement will be proven by any means that is allowed by the Commercial Code.

Although the law does not stipulate it, the transmission of the promissory note by endorsement imposes also the giving of the title to the endorsee. Only by having the possession of the title the endorsee can capitalize the title. Through the remission of the title the endorsee is safe from an eventual revocation of the endorsement by the endorser by erasing the mention in the title.

The blanc endorsement. The law stipulates the blanc endorsement, not only the full or complete one.

According to art 15 paragraph 2 from law nr 58/1934 the blanc endorsement is the endorsement that does not show the name of the endorsee.

The blanc endorsement appears as an endorsement whose form conditions are simplified. It is valid with the sole condition that the signature of the endorser is placed on the back of the promissory note or on an addition (allonge). The signature cannot be placed on the front of the promissory note because it can be interpreted as an acceptance of the promissory note.

Through the acknowledgement of the blanc endorsement, the legislator wants to make the circulation of the promissory note easy. Because the endorsement is in blanc, the possessor of the promissory note can transmit it through a simple tradition. Furthermore because the name of its possessor is not mentioned on the promissory note, he cannot take any responsibility towards the next possessors of the promissory note.

The possessor of a blanc promissory note has certain rights that he can exercise in the conditions of art 16 paragraph 2 from law nr 58/1934.

Thus, the possessor of the promissory note can complete the endorsement with his own name, making himself the endorser. The law allows the completion of the endorsement with the name of another person to whom the possessor wants to give the title. In this case the possessor does not become promissory obligated and has no promissory responsibility.

Instead of completing the blanc endorsement, the possessor has the right to further endorse the promissory note, through a full endorsement, a blanc one or a bearer one. Signing the promissory note as an endorser, the possessor of the promissory note becomes the endorsee of the blanc endorsement and in consequence he has the rights and the obligations of any endorser.

The possessor of the promissory note has the right to give the title to a third person, without completing the endorsement in blanc and without endorsing the promissory note. In this case the promissory note is transmitted through a simple title tradition. Because the possessor of the promissory note does not sign it as an endorser, he will not become promissory obliged.

The endorsement at the bearer. To support the same idea, that of making easier the circulation of the promissory note, law nr 58/ 1934 acknowledges the endorsement at the bearer. According to art 14 paragraph 3 from law nr 58/1934 "the endorsement at the bearer" is the equivalent of the "blanc endorsement". Thus the endorsement at the bearer has the value and the judicial effects of the blanc endorsement [9].

Under the aspect of shape conditions, the endorsement at the bearer is different from the blank one only in the case of naming the endorsee; the blank endorsement does not contain any mention regarding the endorsee, while the endorsement at the bearer the endorsee is assigned through his quality of possessor of the title (for example “to the one that presents it”).

The beneficiary of the endorsement at the bearer legitimates himself through the simple presentation of the title. He can transmit the title through simple tradition. Because the endorsement at the bearer produces the effects of the blank endorsement, the possessor of the title can give the promissory note the attributes of a bidding title, through the completion of the endorsement with his name or that of another person.

3. The effects of the endorsement

The law regulates three aspects of the endorsement: the effect of the translation of rights, the effect of warranty and the legitimizing effect [10].

In the base of the promissory law the endorsement transmits “all the rights that come from the promissory note”. These rights have an autonomous character. The promissory debtor cannot oppose to the endorsee the personal exceptions that he could hold against the endorser. [11].

The effect of the translation of the rights. According to article 16 from law nr 58/1934 the endorsement transmits all the rights that come from the promissory note, as they are a result from the title, without the willingness of the parties to be able to alter them by transmitting only a part. This effect of the endorsement is essential and the endorsements that do not produce the transfer are inadequate having in common with the real endorsement only the shape and the name.

Through the endorsement promissory rights are transmitted, rights that are fundamental, characteristically to the promissory note and to the promissory relationship. This category includes: the right to the sum of money mentioned in the promissory note, the right to present the promissory note at the acceptance and at the due date, to present it at the payment; the right to address the protest in the case of a refusal of acceptance or of payment; the right to exercise the actions in regress, in the conditions of the law; the right to transmit the promissory note to another person.

The endorsement has as an effect the transmission of the accessory rights, if in the promissory note there is a mention regarding the making of a mortgage or of a deposit to endorse the payment of the sum of money that appears in the promissory note. [12]

The effect of warranty of the endorsement. As an effect of the transmission of the promissory note through an endorsement, the endorser takes the obligation to endorse the acceptance and the payment of the promissory note by the bank (art 17 from law nr 58/1934). This means that if the bank refuses to accept the acceptance and the payment of the promissory note the endorser will be held personally responsible and he will have to pay the sum of money mentioned in the title. The obligation of warranty of the endorser is not solely towards the endorsee but also towards all the following possessors of the title. The endorser becomes bound by regress and, in this quality; he is responsible in solidarity with the other debtors of the promissory note.

The law allows the endorser that, through a clause inserted in his endorsement to exonerate himself from the responsibility for the acknowledgement and payment of the promissory note. In this sense, in the promissory note he can make mentions like “no warranty”, “no promissory responsibility”, “no regress”, “no obligations” or other equivalent expressions. If from the elaboration of the clause it is not clear that he wanted exoneration only from one of the warranty obligations, it is considered that the exoneration comprises both obligations.

The clause of unloading the responsibility is used only by the endorser that wrote it in the endorsement and the following endorsers, in order to have this privilege, will have to repeat this clause in their endorsements.

The effect of making the endorsement legitimate. Following the transmission of the promissory note in the endorsement, the endorser is identified as the debtor of the sum that is mentioned in the title. As such the endorser is entitled to exercise the rights stipulated by the promissory note.

According to the law the owner of a promissory note is regarded as the legitimate possessor of it, if he justifies his right through a continual series of endorsements, even if his last endorsement is a blank one (art. 18 from law nr 58/1934). The examination of the identification is made exclusively based on the formal elements, not taking into account the intrinsic viability of different judicial documents of transmission. The fake endorsements or the ones that contain signatures of an imaginary or incapable person do not interrupt the series of endorsements and they do not alter the formal regularity of the endorsement.

Thus the possessor of the promissory note thus identified is presumed to be, until proven otherwise, the holder of the claim right and the possessor of the promissory note.

If a person lost in any circumstances the possession of the promissory note, the new possessor that justifies his right in the conditions of article 18 paragraph 2 from law nr 58/1934 is not held to give back the promissory note, except the case in which he got it in a vile manner or if he made a mistake in getting it.

4. Case study

Case study regarding the infraction stipulated by art. 103 from Law nr 58/1934 on the promissory note and the bill of exchange.

Next we shall see some interesting opinions regarding discussions the infraction stipulated by art 103 from Law nr 58/1934 on the promissory note and the bill of exchange.

In this sense we shall see the opinions presented by dr. Mirela Gorunescu, Lect. Univ. Police Academy "Al. I. Cuza" Bucharest, and dr. Gabriel Ungureanu, Lect. Univ. Police Academy "Al. I. Cuza" Bucharest. In their opinion Law nr 58/1934 on the promissory note and the bill of exchange is an extra-penal special law that has a stipulation with penal character in art. 103. Through this stipulation the following aspect is presented: "anyone who assigns a claim in the conditions stipulated by art 100, knowing that in the moment of the cession did not exist, totally or partially, the given claim, will be punished by fine between 5000 and 100000 and 6 months jail, except the case when the fact constitutes a felony sanctioned with a bigger punishment, in which case this punishment applies". Considering that this stipulation is an incomplete one, as well as the difficulties in perception of the premise situation of the infraction, we consider that it is necessary to make a presentation of it.

Law nr 58/ 1934 stipulates through art. 100-102 a variety of the promissory note completely different, created in the idea of mobilization of the credit and stimulation of the sales of goods on credit. Thus, through a cession of private type, a claim of common law, that is the result of a fundamental relationship that exists before the promissory note, appears in the promissory note, producing promissory effects and common law effects. Thus the manufacturer or the wholesaler, that has a claim that is the result from the sale of goods and based on which he wants to get a credit, is given the possibility to draw a promissory note on his debtor, inserting in its content a clause of cession of the claim. Thus the credit institution that requested that credit will have double collateral: of the debtor of retrogression, him being the drawer, and the one that appears from the action of common law, that is the result of the original relationship. [13]

To avoid the creation and the putting into circulation of such a promissory note with the clause of cession of the claim that derive from the sales of goods, that does not reflect a real operation, the legislator incriminates the deed of the person that assigns a claim in the conditions stipulated by art. 100, knowing that in the moment of the transfer do not exist, totally or partially, the waived claim.

These will analyze the norm that fulfills the criminal stipulation (art. 100 from the law and the following), as well as some aspects referring to the promissory note, in general.

In other words, the promissory note is a document through which a person called drawer or issuer gives disposition to another person, called drawee, to pay at a date of payment an amount of money to a third person, called beneficiary, or to his orders. The promissory note is a complete and formal title at order that incorporates an abstract obligation, autonomous and unconditional to pay an amount of money by the subscribers of the promissory note, held solitary to the performance of the obligation. The transmission of the promissory note is made usually through endorsement, this being the judicial act through which the possessor of the promissory note, called endorser, transmits to another person, called endorsee, through a written declaration and signed on the title and through the handing over of the title, all the rights that come from that title. Although to the bill of exchange apply, in a big measure, the stipulations referring to the promissory note, yet the stipulations of art 100-103 do not apply. They are not compatible with the nature of the title and that is why they are not found in the enumeration made by art 106 from Law nr 58/1934. Thus, the infraction stipulated by art 103 from the law refers only to the illegal cession of claim through the promissory note.

According to the stipulations of art 100 from Law nr 58/1934 in the drawn promissory note that doesn't have to be presented at acceptance, as in any other drawn promissory note, in the case in which it is not accepted, the drawer can, in the limits of the amount of money mentioned in the promissory note, give through a clause inserted in the content of the promissory note his claim that comes from the sale of goods that he has towards the drawee. It is about a so-called "clause of the claim's cession that comes from the sale of goods towards the drawee".

The reason for establishing these stipulations is the abolishment of some judicial and economical difficulties: no matter of the nature of the relationships between the drawer and the drawee, the latter is not compelled to accept the promissory note, the promissory note being an abstract title its possessor remains a stranger from the relationships between the drawer and the drawee and he has no right on the provision; in case of insolvency of the drawer, the drawee will avoid to accept the promissory note so that he won't be exposed to the practitioner's actions in insolvency that is designated in the insolvency procedure, without having the possibility to be opposed, as an exception, his acceptance or the payment of the promissory note; further more, the beneficiary of unaccepted promissory note will have to receive from the insolvency of the drawer, only in the happiest of cases, a share from the amount of money mentioned in the promissory note; it is hard to find a cessionary that takes the claim, considering the risk of taking all the exceptions that are opposed to the assignor, the formalities that have to be fulfilled, as well as the high cost of the act of transfer. Thus, through the effect of the clause of cession of claim, the drawer's claim towards the drawee keeps its original judicial nature, becoming an accessory of the law of promissory claim, and it circulates with it. Unlike the usual claim from the common law, the cession of the provision appears under the shape of a unilateral declaration of will and, alongside the giving of the title, transmits in the favor of the beneficiary the clause claim. The other subsequent transmissions are made through the promissory endorsement. The titular holder of the given claim – the possessor of the title, which legitimates through an uninterrupted string of endorsements – is established not through the application of the contractual principles of the cession from the common law, but from those of the promissory circulation. However, it will not be applied the principle of the inopposability of the exceptions, because we talk about the circulation of a causal claim. Thus, the drawee will oppose to the possessor of the promissory note all the exceptions that he can oppose to the drawer. [14]

The validity conditions of the cession of claim stipulated in art 100 from Law nr 58/1934 are:

- a) the cession of claim that the drawer has on the drawee has to be made through a clause inserted in the content of the promissory note, in the text of the bill of exchange or in the first endorsement, if we talk about a promissory note at the order of the drawer himself;
- b) the claim of cession is inserted in the promissory notes that do not have to be presented at acceptance or in the promissory notes that have not been accepted. In fact the clause can be inserted in any promissory note in the case it is not accepted, it has as a purpose to give a substitute to the warranty that results from the acceptance of the drawee. But it is not efficient if the drawee accepts it. According

to the stipulations of art 24 from Law nr 58/1934 the presentation of the promissory note at acceptance is facultative, except the cases when the date of payment of the promissory note was established at a certain term from sight (art 26 from the law), respectively the drawer or the endorser stipulated in the promissory note the clause of presenting the title for acceptance (art 25 from the law). The drawer can forbid the presentation of the promissory note at acceptance (art 25, paragraphs 2 and 3 from the law).

- c) The cession can be made only in the limits of the amount of money mentioned in the promissory note;
- d) The given claim derives from the sales of goods and not from another contract;
- e) The clause of cession contains the date and the invoice's number. The goal of this requirement is to establish the judicial cause of the given claim and to individualize the sold goods and the claim that results from these operations, so that the possessor of the promissory note to be safe from eventual litigations. Thus it is avoided that the drawer offers an imaginary, unsafe or worthless warranty, and that is why the legislator sanctioned their lack with nullity (art 100 paragraph 2 from the law). In the judicial literature it is shown that when an invoice it is not emitted this condition is fulfilled, if the document of sale is individualized (through the indication of the date).
- f) The cession must be made in the favor "of a banking company or another credit company", of a credit institution, as it is defined by the Banking Law, so that it is without validity. Thus the promissory note will be transmitted through endorsement, but the first beneficiary must be an institution of credit. Unlike the previous condition, if this requirement is not observed the legislator did not say what the sanction is. We consider that it is about the sanction of absolute nullity. It can be applied to all the accepted endorsers and thus it can be used by an ulterior endorsee that will not have this quality.
- g) The cession must have as an object an actual claim. It cannot be subjected to a suspensive condition or rezulator condition or to a conterperformace. It is admitted a claim with a term, with the condition that the date of payment to be prior to the date of payment of the promissory note.

The cession has effect towards third parties through the notification made to the drawee. The notification can be made through the judicial executors, but also through registered mail, with receipt of delivery, with the condition that it contains the exact mentions for the identification of the promissory note. The legislator stipulates that the presentation of the promissory note made to the drawee, that results from the protest of unacceptance, is considered a notification (art 101 paragraph 1 from the law).

The cession of the claim does not absolve the possessor of the presentation of the promissory note at acceptance in the cases in which it is mandatory to be able to present it at payment and then handling the protest for non-payment in case of refusal of payment. We must notice that, in this matter, the cession of claim is incompatible with the clause "without expenses", because the protest for non-payment is a necessary condition for the exertion of the rights that derive from the cession of claim.

According to the stipulations of art 102 paragraph 1 from the law, after the notification of the cession, the drawee becomes exclusive debtor of the possessor of the promissory note and can only pay valid to him. But for the possessor of the promissory note to be able to capitalize towards the drawee the rights that derive from the promissory note, the following conditions have to be fulfilled cumulative:

- a) to be handled the protest for non-payment against the drawee (this can be made in one of the two days that follow the date of payment, at the request of the rightful owner of the title and against the debtor to whom the promissory note was presented at payment and he turned it down);
- b) the action has to be introduced in 5 days from the communication of the summons of execution addressed to the drawer, from the citation in the promissory action or

from the admission of the promissory claim to the passive of drawer's insolvency, when he was declared in insolvency.

The exertion of the action against the drawee does not block the exertion in the same time of the promissory action against the drawer and of the other liable. Thus the possessor of the promissory note can promote an action in regress so that in this case we cannot talk of a direct action. Besides the promissory actions, for the capitalization of his rights, the possessor of the promissory note can ask for the promissory execution.

In case of insolvency of the drawee, the possessor of the promissory note cannot capitalize his rights that derive from the cession until he notifies the drawee.

From the perspective of the penal stipulations from art 103 from Law nr 58/1934, being a penal text of strict interpretation, through the "moment of cession" we must understand the moment when the clause had effects towards the beneficiary and the promissory note was given. Only so the incrimination could have a role of preventing the putting into circulation of a promissory note that assures an inexistent claim, a serious fact in commercial relationships.

In these conditions the infraction can be committed through the cession towards a credit institution of a claim that results from the selling and buying of goods, in the consideration of which a promissory note was emitted, knowing that in the moment of cession does not exist, totally or partially, the given claim.

The main judicial object of the infraction is represented by the social relationships that have in view the ensuring of carrying on of the commercial transactions in conditions of fairness. Through incrimination there are protected the social relationships of patrimonial nature.

The active subject will be represented by the natural person that emits a promissory note in the consideration of an unreal claim that results from the selling and buying of goods. Thus the infraction can be committed only by the drawer.

Also it is very interesting to analyze in this field the problem of taking penal responsibility of the judicial person for committing such an infraction. It is known that, going pass the vivid controversy from the doctrine, Law nr 278/2006 created the possibility for the judicial person to be responsible from a penal point of view in Romania. Unlike the stipulation of Law nr 301/2004, which is presumed to be the new Penal Code of Romania, Law nr 278/2006 did not maintain the solution of the express indication of the infractions for which it can be engaged in concrete the responsibility of the judicial person. In this context, we think that each time there are fulfilled the general conditions for the penal responsibility of the judicial person, this will be able to come into being. In other words, for a judicial person to respond penal for committing an infraction by a natural person there must be fulfilled in a cumulative manner the following conditions: a) the judicial person is legally made; b) the judicial person has the aptitude to respond from a penal point of view, not being in one of the situations excepted by art 19 Penal Code (the state, the public authorities and public institutions that have an activity that cannot make the object of the private field do not respond penal); c) the deed was committed by a natural person in making the object of activity or in the interest or in the name of the judicial person; d) the deed was committed with the manner of guilt stipulated by the law for the respective infraction.

Furthermore, art 19 paragraph 2 from the Penal Code mentions that penal responsibility of the judicial person does not exclude penal responsibility of the natural person that contributed, in any way, to the carrying on of that infraction.

In art 53 Penal Code there are stipulated the categories and the general limits of the punishments that apply to the judicial person. The punishment framework stipulated in art 53 comprises two categories of punishments, differentiated by the way of application, main punishments and complementary

punishments. The main punishment for the judicial person is a fine from 2500 lei up to 2000000 lei. Complementary punishments are the following: a) the dissolution of the judicial person; b) the suspension of the judicial person's activity for 3 months up to a year or the suspension of one of the judicial person's activities in connection to which the infraction was committed for 3 months up to 3 years; c) the closing of some work points of the judicial person for 3 months up to 3 years; d) the forbidding to participate in the procedures of public acquisition for 1 up to 3 years; e) the displaying or the publication of the sentencing.

The passive subject of this infraction will be the buyer of the unreal claim.

Under objective aspect, the infraction is committed by the cession of a promissory note towards a bank, knowing the fact that in the moment of cession there does not exist the claim in which consideration the promissory note was emitted. For example, a person (seller of goods) emits a promissory note through which it gives order to another person (his client) to pay the price of the merchandise to a creditor of the issuer. This promissory note is given to a credit institution but at the moment of cession the drawer's client will not have an obligation of payment, because it was extinguished through payment, compensation etc.

The gravity of the deed results from the fact that, unlike the simple cession of claim where a claim is sold (a bill), interfering in the promissory chain their endorsers can be more easily deceived. Until the payment the promissory note can be transmitted in a successive manner to several people. Of the cession's essence is the assurance of the existence of the claim, but practically there is made some payments without cover. It is paid with something that does not exist.

Finally, we see an infraction whose consequences can be serious under a patrimonial aspect, but for which there is no judicial practice in recent time. [15]

Conclusions

The rights given by the promissory note, like any other patrimonial rights, are susceptible to be transmitted to another person. Because these rights are debt rights their transmission can be made by the cession/ transfer of debt that is regulated by the Civil Code. This way of transmission of the debts have a certain uncertainty for the receiver, and this is the reason for which the commercial legislator put the endorsement as a characteristic judicial instrument of transmitting the promissory rights.

The endorsement is a judicial act through which the possessor of the promissory note, called endorser, transmits to another person, called endorsee, through a written declaration and signed on the title and through the giving of the title, of all the rights that come from that title.

Through the endorsement, the possessor of the promissory note gives order to the one that pays to pay the sum mentioned in the title to the person in favor of which he transmitted the draft.

According to the law even if the promissory note was not drawn in an express manner to order, it can be transmitted by endorsement (art. 13 from Law nr 58/1934).

Being a way of transmitting some rights, the endorsement is an accessory judicial document, and it implies the existence of a valid promissory note.

According to article 16 from law nr 58/1934 the endorsement transmits all the rights that come from the promissory note, as they are a result from the title, without the willingness of the parties to be able to alter them by transmitting only a part. This effect of the endorsement is essential and the endorsements that do not produce the transfer are inadequate having in common with the real endorsement only the shape and the name.

Through the endorsement promissory rights are transmitted, rights that are fundamental, characteristically to the promissory note and to the promissory relationship. This category includes:

the right to the sum of money mentioned in the promissory note, the right to present the promissory note at the acceptance and at the due date, to present it at the payment; the right to address the protest in the case of a refusal of acceptance or of payment; the right to exercise the actions in regress, in the conditions of the law; the right to transmit the promissory note to another person.

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Considerations Regarding the Importance and the Functions of the Promissory Note

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Abstract: *The notion of promissory note comes from the Italian cambio which means exchange. The texts from the Old Commercial Code used the terms of “bill of exchange” or “policy”. These terms have been replaced by promissory note according to Law nr 58/1934. However, in practice, it is still used the term of “bill of exchange”. It has some stipulations regarding the content of the promissory note based on which it can be defined as credit title. The promissory note is a document by which a person, named drawer or issuer, gives dispositions to another person, named drawee, to pay at a date of payment a sum of money to a third person, called beneficiary, or to its order. We have a particular interest in the functions of the promissory note. The doctrine of the commercial law considers that there are three functions of the promissory note: the function of instrument of foreign exchange, the function of instrument of credit and the function of instrument of pay. The role of each of these functions of the promissory note has known a certain evolution, determined by the needs of the commercial activity*

Keywords: *promissory note, importance, functions.*

Introduction

The promissory note is a document by which a person, named drawer or issuer, gives dispositions to another person, named drawee, to pay at a date of payment a sum of money to a third person, called beneficiary, or to its order.

Understood like that, the promissory note is a document with specific characteristics. It is a formal title, because it has, under the sanction of non-validity, to be included into a written document; it is required to contain certain mentions that the law imposes through imperative stipulations. These exigencies ensure the incorporation of the right of claim into the title, making an indissoluble merger between shape and content, between negotium and instrumentum.

The promissory note is a document that gives the legitimate possessor the right to receive the amount of money mentioned in its content. The payment made by the drawer can be demanded after a time since the emission of the promissory note. Because of this, through the promissory note an operation of credit is made.

The main function of the promissory note is that of instrument of credit. Because the amount of money mentioned in the promissory note does not have to be paid right away but at a certain date of payment through the promissory note there is granted to the acquirer a credit on a time interval until the date of payment [30].

1.The notion of promissory note

The promissory note is one of the credit titles with a great applicability in the international commercial activity [1].

Because it is widely used in the international commercial relationships the promissory note was the object of a unitary judicial regulation. In 1930 in Geneva the convention was made about the uniform law of the promissory note and of the bills of exchange.

Although Romania was not part of this convention, most stipulations of the uniform law were taken by the Romanian law. Of course that Law nr 51 from May 1st 1934 regarding the promissory note and the bill of exchange [2] used as a model the Italian law on promissory note from December 14th 1933, which was based on the uniform law of the promissory note and of the bill of exchange [3].

In the conditions of the formation of the market economy in our country, some measures were taken regarding the use of the promissory note in the internal commercial relationships.

Thus, by O.G. nr 11/1993[4] some modifications and completions were brought to Law nr 58/1934 regarding the promissory note and the bill of exchange [5].

Then the National Bank of Romania emitted some rules that were the frame for the commerce made by the bank companies and the other credit institutions with promissory notes, bills of exchange and checks, as well as technical regulations regarding the promissory note and the bill of exchange, according to the international rules [6].

Finally, the National Bank implemented an informational system [7] that was meant to reinforce the safety of the credit of the promissory note, the bill of exchange and of the check, by creating the Central of the Payment Incidence [8].

At an international level we can notice the making of The United Nations Convention regarding the promissory notes and the international bills of exchange, that is the result of the effort made for almost 20 years with papers of the United Nations Committee for the international commerce law (English U.N.C.I.T.R.A.L., French C.N.U.D.C.I.). It was adopted by the General Assembly of the United Nations, based on the recommendation of the 6th committee (judicial) on the 9th of December 1988 in New York [9].

The objective of U.N.C.I.T.R.A.L., New York, 1988, was the limitation to a minimum of the fundamental frictions that exist between the main promissory note systems: the one from Geneva, on the one hand, and the Anglo-American one, on the other hand, having in mind the new requests of the international commerce, the bank practices and the financial markets [10].

Recently, Law nr 58/1934 was modified and completed by O.U.G. nr 39/2008[11].

Law nr 58/ 1934 does not give a definition of the promissory note.

The notion of promissory note comes from the Italian *cambio* which means exchange. The texts from the Old Commercial Code used the terms of “bill of exchange” or “policy” (v. art. 270). These terms have been replaced by promissory note according to Law nr 58/1934. However, in practice, it is still used the term of “bill of exchange”[12]. It has some stipulations regarding the content of the promissory note based on which it can be defined as credit title.

The promissory note is a document by which a person, named drawer or issuer, gives dispositions to another person, named drawee, to pay at a date of payment a sum of money to a third person, called beneficiary, or to its order[13].

Another important definition is that according to which “the promissory note is a credit title that can be endorsed, formal and complete, that contains the unconditioned obligation to make the payment of a determined sum at a certain date and in a certain place”[14].

In international commercial relationships the quality of drawer is given to an exporter, and the drawee is the importer, the debtor of the price.

Understood like that, the promissory note is a document with specific characteristics. First it is a formal title, because it has, under the sanction of non-validity, to be included into a written document;

it is required to contain certain mentions that the law imposes through imperative stipulations. These exigencies ensure the incorporation of the right of claim into the title, making an indissoluble merger between shape and content, between negotium and instrumentum [15].

The deciphering of the judicial nature of the promissory note and the justification at a theoretical level of its independence from the fundamental relationship stirred a lot of controversy. There were proposed explanations based on the assimilation with related institutions of civil law, as the transfer of claim, the imperfect delegation, the stipulation of the other, the unilateral declaration of the drawer. The nature of the promissory note cannot be reduced to such traditional prototypes, which serve exclusively the will of the issuer. In reality, the promissory note associates in an original manner effects that derive from a double source: the volitional act of the drawer and the power of the law. The rights of the possessor appear from the document that expresses the will of the issuer, their exercitation against the co-obligated subscriber's benefits by the presumption of regularity of the title that appears from the will of the law.

The imperative stipulations – and only them – give the possessor full judicial protection, once the promissory note has the necessary shapes, no matter if it corresponds or not, by content, to some effective credit relationships. The sum has to be paid unconditionally to the title holder, even if in fact there would be no debt; appearance wins over reality. It is written in the shown manner that “the right of the possessor is based on appearance” (created by the title). In order to get this result, the will of the drawer would be insufficient by itself, without the decisive intervention of the law: “in principle, the law considers as regular for the possessors of any title that has the appearance of a regular title”. These exorbitant attributes that are recognized to the belonging overcome in an obvious manner the usual effects of a judicial document, showing the distinct contribution brought by the will of the legislator to give the promissory note certain characteristic valences that belong to a commercial currency [16].

In order to be valid, the promissory note has to contain the compulsory mentions that are contained in Law nr 58/1934 with the following modifications and completions:

- The term of “promissory note” in the title of the text;
- An unconditional order to pay a certain amount of money;
- The drawee;
- The date of payment;
- The place where the payment will be made;
- The drawer;
- The date and the place where the promissory note was emitted;
- The signature of the drawer.

Unlike the continental law, the promissory note is defined by the British law as it follows:

- An unconditional order given in writing;
- Addressed by a person (drawer)[17]
- To another person (drawee)
- Signed by the person that gives the order, by the drawer;
- Requesting the person that is addressed to (drawee)
- To pay
- At demand or at a fixed date or a date that will be determined into the future;
- A certain amount of money
- To, or to the order of a person that is specified (beneficiary) or to the bearer.

The term “on demand” means “in plain sight” and it requires the drawee to honor the promissory note at the date of payment [18].

The promissory note can be paid at a fixed date in the future or at a date that will be determined in the future.

Being a title of value, the promissory note has the characteristics that are common to the commercial titles of value. Besides these general characters, the promissory note has some own characteristics that shape its characteristic of commercial title of value.

a) The promissory note is a title of credit.

The promissory note was considered a title of credit by excellence and taken as a model for the theoretical construction of all the credit titles, not only on the consideration that it has their common traits, but also because it takes them to a maximum degree of efficacy, the characteristics of the promissory note being in perfect accordance with its economical function.

The promissory note is a document that gives the legitimate possessor the right to receive the amount of money mentioned in its content. The payment made by the drawer can be demanded after a time since the emission of the promissory note. Because of this, through the promissory note an operation of credit is made.

The date of payment is unique for all the promissory note obligations that are a result of the promissory note.

b) The promissory note is a full title of credit

The right and the correlative obligation are the one from the document. In the lack of an essential mention from the document it is excluded the use of exterior elements, even if in the promissory note there is a mention to them. The impossibility to use exterior elements[19] to reunify the promissory note is the consequence of the formalism of the promissory note's law. The promissory note is a formal title and it has no such value, unless it is made in the shapes stipulated by the law and if it comprises the elements required by it.

In the modern law this formalism is explained through the need to reinforce the credit, defending the creditor and the third parties that got it through good faith.

c) The promissory note is a title at order

The right comprised in the promissory notes can be exerted by the beneficiary or by the person to whom he has transmitted the promissory note by endorsement. The clause "at order" is implied in any title that has the name of promissory note. Thus, the issuer of the promissory note authorizes its possessor to transmit it to another person whenever he wants and as many times as he wants [20]. In the Anglo-Saxon law it is allowed to issue the promissory note to the bearer [21].

The law allows that the parties use the other ways of circulation. The promissory note can be transmitted by the way of the common law of the transfer of claim. The clause "not at order" or an equivalent can be inserted by the drawer or by the issuer.

d) The promissory note is an abstract title

The rights and the obligations that are the result of the promissory note exist in a valid way, independently from the judicial clause that generated them (the fundamental relationships).

Because the promissory note is an abstract title, the turning into profit of the rights and the fulfillment of the obligations of the promissory note there is not necessary to make a proof of the fundamental relationships. Since it has been issued, the promissory note is completely emancipated from the judicial clause from which it appeared. Thus the rights and the obligations of the promissory note are analyzed in themselves, without any reference to the fundamental relationships.

e) The promissory note has as object the payment of an amount of money

The stipulation of the drawer given to the drawee regards the payment of a sum of money. Thus, the obligation of the promissory note can have as an object only the payment of an amount of money, with the exclusion of any other performance with a different content [22].

We notice that all the obligations will have as object the payment of the same amount of money, that the drawer mentioned in the promissory note.

f) The promissory note creates autonomous obligations

All the obligations that appear from the promissory note have a judicial existence that stands alone. Each signature put on the title creates a distinct judicial relationship with its own legal system. As a consequence, the vices or the lacks of a judicial relationship does not affect the validity of the other judicial relationships [23].

Thus, even if the beneficiary transmits the promissory note through an endorsement, he assumes towards the acquirer (endorser) a valid obligation, even if his right is affected by vices.

If a person (analyst) endorses the obligation of the accepting drawee, the obligation of endorsement (accessory obligation) is valid, even if the obligation of the drawee (main obligation) can be annulled for vices of consent or incapacity.

We have to show that the recognition of the validity of the obligations of the promissory note has as a premise the existence of a promissory note that is emitted obeying the requirements of the law.

g) The promissory note creates unconditioned obligations

The promissory note obligations cannot be subordinated to a condition (future and uncertain event) or to a conterperformance from the possessor of the promissory note. The stipulation of a condition has as a consequence the undermining of the safety of the promissory note's circulation because it affects the existence of the promissory note's obligation. That is why the law stipulates the nullity of the promissory note in case if the order of payment of the drawee is conditioned [24].

h) The promissory note creates solidary obligations

Through its characteristics, the promissory note is intended to hand about. Thus through the transmission of the promissory note by endorsement, to the initial obligation of the drawer regarding the acceptance and the payment of the promissory note by the drawee, there are added the successive obligations assumed by own signature by each transmitter (endorser) towards the acquirer (endorsee). The endorsement attains not only the transmission of the promissory note, but also the endorsement of the successive acquirers of the promissory note. As a consequence, each subscriber of the promissory note commits himself to the acceptance and the payment of the promissory note at the date of payment. The promissory note's obligations that appear from the subscription of the promissory note are solidary. This means that at the date of payment the last possessor of the promissory note will be able to ask for the payment of the amount of money [25] stipulated in the promissory note from any of the subscribers of the promissory note, without a pre-established order.

Through the prism of the ones mentioned before, the promissory note can be defined as a title of credit at order, complete and formal, that comprises an abstract and unconditional obligation of commercial and autonomous nature of payment of an amount of money[26] and whose subscribers are kept solidary for the execution of the obligation.

In other words, the promissory note implies the participation of three persons:

- a) *the drawer* (the issuer) is the person that emits the title, he gives the disposition for an amount of money to be paid. Through his signature, the drawer assumes the obligation to pay the sum of money to the beneficiary by the drawee. The issuer of the document is called drawer, because he "draws" the title on the debtor that is obligated to make the payment;
- b) *the drawee* is the person to whom the stipulation (the order) to pay an amount of money is addressed to;
- c) *the beneficiary* is the person to whom or at whose orders the drawee will make the payment[27]

2. The importance and the functions of the promissory note

2.1. The importance of the promissory note

Although there are no certain data regarding the apparition of the promissory note, the documents show that this operation was known in Ancient Greece and Ancient Rome, taking shape in the Middle Ages as a document that confirms a payment, the commitment of an amount of money from one market to another. In Roman era this operation was called *permutation*, and in the Middle Ages it was called *cambium*.

If the Roman letter called *permutation* had only the efficacy of the *trata* from the following years, *cambium* from the Middle Ages had some important traits of the promissory note in the shape that was defined later[28].

International commercial relationships imply credit operations, because in their frame there are obligations affected by date, one of the elements that characterize the credit. The credit is characterized by some traits like: time factor, trust, risk, the lack of any idea of speculation, in other words the credit implies a disparity in time between the two performances: that of the creditor, actual, and the one of the one that is credited, future, operations that the creditor accepts because he trusts the one to whom he gives the credit (many times he takes some liabilities in this regard), the inherent risk of such operations and the lack of any idea of speculation (the creditor) having just a remuneration that is proper to the interest of the loan.

2.2 The functions of the promissory note

We have a particular interest in the functions of the promissory note. The doctrine of the commercial law considers that there are three functions of the promissory note: the function of instrument of foreign exchange, the function of instrument of credit and the function of instrument of pay. The role of each of these functions of the promissory note has known a certain evolution, determined by the needs of the commercial activity [29].

2.2.1 The function of instrument of credit

The main function of the promissory note is that of instrument of credit. Because the amount of money mentioned in the promissory note does not have to be paid right away but at a certain date of payment through the promissory note there is granted to the acquirer a credit on a time interval until the date of payment [30].

Thus the wholesaler sells a quantity of goods to the retailer with the payment of the price in 30 days since the receiving of goods (time necessary for the sale of the goods and the achieving of the amount of money for the payment of the price). To cover the given credit, the wholesaler draws a promissory note on the retailer in which he indicates himself as the beneficiary of the promissory note, for the amount of money that represents the price of the goods and at a date of payment that coincides with the 30 days term provided for the payment of the price. Giving a credit the wholesaler will be entitled to interest, that is included in the amount mentioned in the promissory note. Being the beneficiary of the promissory note the wholesaler is not obligated to wait for the date of payment, he can get the amount of money by discounting the promissory note to a specialized bank, receiving the amount of money mentioned in the promissory note, minus the value of the interest until the payment date.

Also the beneficiary of the promissory note can give it through an endorsement to another trader that has available funds and wants to place them [31].

2.2.2 The function of instrument of payment

The promissory note has the function of instrument of payment.

This function is similar to the function that the coin has. The promissory note has the advantage that it avoids the use of cash.

Having to pay a debt to a creditor, the beneficiary of a promissory note could discount the promissory note and with the amount of money obtained to pay the creditor[32]. But, instead of discounting the promissory note, the beneficiary can pay the debt through the transmission of the promissory note, through endorsement, to its creditor (endorser). He, at the date of payment, will obtain the amount of money mentioned in the promissory note by the debtor (drawee). Through the payment of the promissory note all the debts of the promissory note disappear, including the debt of the beneficiary to his creditor.

The promissory note can be used as an instrument of payment in another way also. A dealer that has to pay a sum of money can draw a promissory note on one of his debtor (drawee) in the favor of the creditor that he indicates as the beneficiary of the promissory note. The debt disappears through the payment of the promissory note [33].

For example a promissory note that is paid “in 90 days in plain sight” will be paid in a term of 90 days from the presentation.

The drawee “accepts” the promissory note through its subscription on the front, this way he agrees to make the payment at that date in the future.

The promissory notes can be transferred/ transmitted through endorsement. The endorsement represents the existence on the back of the promissory note of the signature of the person that transfers the promissory note (on its verso).

The bank of the exporter can buy the promissory note at a lower value than the one mentioned on the front of the instrument, giving the income to the exporter. The bank can keep the promissory note until the date of payment or it can re-discount it to the central bank.

The promissory note is an instrument of credit and of payment and it is used in the international circuit, usually under the incidence of a letter of credit or of a documentary incasso[34].

3. Ways of transmitting the promissory note

Any fact, event or any material act that has a judicial effect, that means that gives birth, transmits or extinguishes a right, has the generic name of judicial fact.

But among the judicial facts some are made by a person with the purpose to produce a judicial effect; they are called judicial documents. Other judicial facts produce judicial effects independently from the person’s will; they are called proper judicial facts, taking this term in a restrictive meaning.

Thus it is called a judicial document any document made by a person in a voluntary manner and with the intent to create, transmit or distinguish a right [35].

Another definition we see in other authors: through a judicial civic document we understand the display of will made with the intend to produce judicial effects, to give birth, modify or extinguish a concrete civil judicial relationship [36].

From this definition we can see that the characteristic elements of the judicial document are the following: the presence of a manifestation of will, that can come from one or several natural or legal people; the manifestation of will is expressed with the intent to produce civil judicial effects (through this element the civil judicial document is different from the civil judicial fact, the latter being made without the intent to produce judicial effects, effects that are produced anyway in the base of the law); the wanted judicial effects can be the appearance, the modification or the extinguishing of a concrete civil judicial relationship (through this element, the civil judicial document distinguishes itself from the judicial documents from other law branches.) [37]

We have to emphasize that the term “document” can have two meanings. The first meaning is the one that comes from the definition from above, that of judicial operation. For this meaning we can use the term *negotium iuris*, or simpler, the word *negotium*. But, in legislation as well as in the doctrine and jurisprudence, through “document” (sometimes even through the term “judicial document”) we talk about the document that refers to the manifestation of will, the material support that observes or renders the judicial operation. For the second meaning we use the expression *instrumentum probationis* or, simpler, the word *instrumentum*. In a strict and exact expression for the second meaning we should use the term of inscribed [38].

The judicial documents play a major role in the judicial life and their importance in the study of law surpasses the one of the simple judicial facts. The judicial documents have as a base the will of the person and they are the vast majority of the law relationships and this is why the study of will is a necessary and prior condition for the understanding of law [39].

We defined the judicial document as a fact made with the purpose to produce a judicial effect. In this sense, we use the word *document* to designate the judicial operation that produces the effect desired by the parties, the manifestation of will is regarded in itself, independent from the exterior shape in which it manifests itself and from the way in which it is ascertained. But, beside this meaning, the word *document* can have another signification: it is used to refer to the document that the parties do in order to ascertain the judicial operation that they made and to get a means of proof in the case of an eventual litigation to prove the judicial operation. In this last meaning *document* means *instrument of evidence* of the manifestation of will.

The Romans had two distinct names for the two meanings of the word act. They called the judicial operation *negotium* and the instrument of evidence of the operation *instrumentum*.

Let's take a practical example to show the difference between the two meanings. Let's talk about a sale. The judicial operation of the sale, regarded in itself, as a manifestation of will that produces the judicial effect desired by the parties, no matter its way of material observation, is an act in the sense of *negotium*. If the sale was ascertained through a document, this document is an act in the sense of *instrumentum*[40].

Thus when we talk about an act in administration, translative act, and disposition act we understand the judicial operation in itself. But when we talk about an authentic act, act under private signature we talk about the document that observes the judicial operation [41].

The judicial circulation of the promissory note is made, even if it was not drawn explicitly at order, through *endorsement*. This means the declaration of the possessor (endorser) that he transfers to another person (endorsee) certain rights that come from the title. The endorsement interferes normally before a date of payment. Still, even the endorsement that appears after the date of payment produces the same effects, with the condition to have been made before the un-payment protest or before the expiration of the date given by the law for this purpose.

The promissory note enhances the guarantee of payment while it is transmitted from one title holder to another through endorsement, the more subscribers there are, they become in full law solidary co-liable, so that the chances of honoring the debt are reinforced: *vires crescunt eundo* (the powers – of the promissory note – are bigger circulating). From the point of view shown although the bearer bonds are more easily transmitted than the promissory notes, the material commitment from one title holder to another does not influence their value, no matter how many possessors there are, their rights are invariably the same.

The rights from the promissory note can also be transmitted through the way of the *common law* because their incorporation is not so complete so that the forms of transmission of the debts from the common law of obligations to be excluded. The rights of credit can pass directly from the transmitter to the acquirer and not only as a consequence of getting the title. As a consequence of this judicial

operation the acquirer takes the judicial position of its author, and the promissory note has to be his, being necessary as well as for the exertion of the rights mentioned in it, as well as means of legitimating, as it was necessary to its author. So, although the concluding of the cession is not essential in the giving of the title, the cessionary is entitled to pretend to have it handed out [42].

Characteristically to the circulation of common law is the fact that the acquirer does not obtain only autonomous rights, but also derived rights, as its author had them, they will be opposed to him not only the exceptions that appear from the relationships between him and the debtor, but also those that can be opposed to its transmitter.

That is why, in order to determine if a way of circulation is promissory or it is common law it is essential to look at the effects that it produces, not at its shape, because this can be promissory only in appearance but lacking the characteristic of in-opposability the exceptions of the previous possessors [43].

The more important cases of transmitting under the common law are:

- A) The cession that is made under the rules from civil law . It is necessary to use it when the title is created from the start in a shape that makes it unfit for the promissory circulation through the insertion of the clause “not at order” and when it is the only way to make a circulation even if it is slow.

The possessor of the promissory note can chose this way of circulation for one or more promissory notes when he wants to avert the promissory responsibility that he would assume by the transmission of the promissory note through endorsement [44].

- B) The endorsement made after the protest or after the date of handling the protest. The quality of title that goes around of the promissory note is destined to last until the date of payment and the final date for losing this quality is fixed by the law maker for practical considerations, at the solving of the protest for non-payment or at the date of solving this protest. The endorsement made after this date does not produce the effects of an full endorsement and it must be considered as an instrument for the making of the cession of the promissory claims, it is a means of easy legitimacy of the cessionary and it replaces under this aspect the notification that should be made to the debtor[45].
- C) The legal subrogation when the payment is made by an intervener but outside the terms and shapes prescribed by the promissory law.
- D) The succession or the merger (either that it is about an actual legacy, or it is a sequel of the merger) of two companies through the absorption of one into the other.

In all these cases the possession of the title has to be justified through the document [46].

Between the endorsement and the cession there are significant differences.

Thus through the endorsement the endorsee gains an intrinsical and autonomous right, without being able to have opposed the to the endorser; in the case of the cession the cessionary gains the rights that the assignor had and thus the exceptions that the debtor could invoke to the assignor cannot be opposed to the cessionary too.

Through the endorsement the endorser assures the payment by the main obliged (the drawee) of the amount of money towards the endorsee; in the claim cession the assignor assures only the existence of the claim, but not the solvency of the debtor.

The endorsement is noted in the title, while in the case of cession of claim it is necessary the notification towards the debtor or his acceptance.

Further we shall see aspects regarding the endorsement in Anglo-American law.

In the Anglo-American law the classification of the endorsements starts from the stipulations that are the base of the transmission of the title through endorsement. Thus there are two reasons that explain the circulation through endorsement: one that lays in the intent to modify the transmission of the title (“negotiation”) and the other that lays in the will to affect responsibility, in the sense of expansion of the rights and obligations (“liability”) of the title holder of the promissory note [47].

According to the first criterion the one that has the title in order to make the valid transmission of it:

- Either it has to endorse it specifying the name of the person (endorsee) that, or at whose order, the payment will be made; the binding of mentioning the name of the endorsee corresponds to the special endorsement (Eng. “special”)[48]
- Either it is sufficient the deposit of the endorser’s signature, the determination of the name of the person that the title is transmitted to is not necessary, that is why the endorsement is called blank endorsement (Eng. “blank”) and it transforms the title from a title to order to a bearer one (Eng. “bearer paper”)[49].

The circulation of the title will have to be limited to certain fields of the commercial activity, as the bank one or the circulation of the title to produce just apart of the effects of the endorsement, reason for which it is known under the title of restrictive endorsement (Eng. “restrictive”).

Conclusions

Through its characteristics, the promissory note is intended to hand about. Thus through the transmission of the promissory note by endorsement, to the initial obligation of the drawer regarding the acceptance and the payment of the promissory note by the drawee, there are added the successive obligations assumed by own signature by each transmitter (endorser) towards the acquirer (endorsee). The endorsement attains not only the transmission of the promissory note, but also the endorsement of the successive acquirers of the promissory note. As a consequence, each subscriber of the promissory note commits himself to the acceptance and the payment of the promissory note at the date of payment. The promissory note’s obligations that appear from the subscription of the promissory note are solidary. This means that at the date of payment the last possessor of the promissory note will be able to ask for the payment of the amount of money stipulated in the promissory note from any of the subscribers of the promissory note, without a pre-established order.

The promissory note was considered a title of credit by excellence and taken as a model for the theoretical construction of all the credit titles, not only on the consideration that it has their common traits, but also because it takes them to a maximum degree of efficacy, the characteristics of the promissory note being in perfect accordance with its economical function.

The promissory note is a document that gives the legitimate possessor the right to receive the amount of money mentioned in its content. The payment made by the drawer can be demanded after a time since the emission of the promissory note. Because of this, through the promissory note an operation of credit is made.

Through the prism of the ones mentioned before, the promissory note can be defined as a title of credit at order, complete and formal, that comprises an abstract and unconditional obligation of commercial and autonomous nature of payment of an amount of money and whose subscribers are kept solidary for the execution of the obligation.

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Some Discussions on the Prevention of Crimes and Delicts

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Abstract: *The prevention of crimes and delicts is not a new problem. It raised an interest among ancient thinkers and other scientists in the field of law, sociology, psychology, etc., and state authorities of all time, but also of people concerned about their personal safety and that of their belongings.*

What we want to emphasize is the fact that in addressing this vast problem there is not a consensus. Theories and ideas are grouped according to different orientations. Although, even if some of them, were criticized over time they were taken over by the modern laws of developed countries, Romania is one of those countries who included some of these principles, such as: equality before the criminal law, educational precautionary principle, criminal responsibility, in the Romanian criminal Code of 1937.

In agreement with most theories and guidelines we stopped and analyzed some provisions of principle of the Romanian Criminal Code - the legal instrument of preventing and combating crimes and offences.

Keywords: *crime, delict, law, punishment, prevention*

Generalities

The concepts of prevention, crime and offence, that we are going to use throughout the approach requires some explanation regarding the context in which they were formulated and their meanings.

The interwar and modern legislation and legal literature have adopted the tripartite system of crimes, dividing them depending on their severity, crimes, delicts and petty offences. The tripartite system was enshrined in the old French law of 1791 and maintained by the criminal law of 1810 and was taken by the vast majority of European laws.

The Romanian Criminal Code of 1837 adopted the tripartite system by dividing offenses into crimes, delicts and petty offences. Crimes were the most serious offences (murder, crimes against the State and other acts of extreme gravity) and the delicts are considered lighter offenses (crimes of theft, fraud, injury). Petty offences were considered to be the easiest ones, punished with imprisonment or fines. This system lasted until 1954 when petty offences were removed from the sphere of criminal law and the bipartite system was adopted, by maintaining in this sphere the crimes and delicts. Currently, in the Romanian Criminal Code, the incriminated facts are called offences and their gravity is given by the injured social values, the nature and limits of punishment prescribed by the embodied rules etc.

This latter system is criticized because it is not an effective tool for crime prevention, opting to return to bipartite system. However, crimes are proposed to be classified into: political crimes and common law. Also the application of a moderate sanctions enforcement treatment (punishment) for those with a political character is proposed [1, p. 66]. Indeed such separation is necessary, but if we are left waiting for such a code, the legislator should think and adopt a system of sanctions and penalties and their enforcement, to be truly effective. For example, for committing the crime of theft, fraud, tax evasion and for everything that is called money-making, the offender should perform community work sentence and everything should be seized no matter whose hands they are in.

In this respect, we refer to the Law of the Twelve Tables on punishing the thief, which states, among other things, that the un-manifested thief is made to pay double the value of the stolen object and to the Legia Porcia which states that the manifested one must pay four times the value of the stolen

object. Today we ensure his meals, accommodation, clothing, medical care and free education from the public budget by sending him for almost any crime, behind bars. According to some calculations, these costs are equal to those the state makes with a student at an elite university. [2, p. 234]

Crime, as a social phenomenon, is estimated based on the social values that it violates, but it also becomes a legal dimension by creating a series of effects and consequences with a punitive character. Thus, criminal norms contain provisions through which the antisocial acts that constitute offenses, sanctions and penalties applicable to those who committed them are described. The criminal antisocial act (delict, crime) is the action or inaction of an individual who has discernment of his facts and is guilty of damaging the social values protected by the criminal law. If the individual's deed has a non-conscious character or it does not constitute its free and conscious expression it can not be included within the sphere of criminal procedures. Prevention of committing antisocial acts was the subject of research for sociologists, psychologists, lawyers, doctors, psychiatrists and other specialists. These actions were determined by the fact that it is easier to prevent social acts, rather than repress them.

The crime prevention ideas have been extended by the "Ecological School" in Chicago since the early '30s, so that today there is a rich literature of these issues. The expression, "preventive crime" was first used by French criminologist Guilon in the paper entitled "La criminologie preventive", published in 1941 in the magazine, "Prison et prisonniers". Enrico Feri, considered the creator of preventive criminology, in the work, "Criminal sociology", published in 1980, presented a comprehensive program of preventive measures, which he called criminal substitutes or equivalent of punishment.

The problem of the crime prevention definition has given rise to some confusion in the specialized literature which must be removed, so that the name prevention should not be given to everything.

In Canada and other countries preventive virtues have been given to a series of activities, such as: victims' aid, outside workshops for prisoners, musical performances, housing refurbishments, holiday camps.

Youth hostels have been opened, socio-cultural animation with diverse audiences has been carried out and a series of procedures designed to meet the needs of all were funded without any problem directly related to deviance. Therefore, it is necessary to distinguish between crime prevention and other forms of prevention.

According to the Explanatory Dictionary of Romanian language, "to prevent" means to take early measures to avoid, stop, remove or prevent something bad.

Therefore, in line with this phrase, to prevent the commission of an antisocial act does not only mean to anticipate and prevent the crime being committed, but also to punish it. It seems paradoxical, since the sanction occurs after committing the crime, but it should be noted that through the anticipation of a crime the legislator sets limits for the punishment. Warning someone with repression is part of the legal arsenal used when preventing crimes and delicts.

In 1997, Sherman and his colleagues have adopted a position which included repression in preventing deviance. They propose to define prevention as "any practice able to demonstrate that because of it less crime occurs than in its absence [3, p. 2]" The only thing that matters is the result found:

- it does not matter whether a measure is criminal or not;
- if crime has decreased, we deal with prevention;
- it is prevention if it is not followed by an effect.

Also, an author advocates for the exclusion of repression from the preventing zone. [4, p. 598]

To deny the preventive role of repression (detention, perform a community service, fine) means to not recognize the inhibited, deterrent impact on those tempted to commit illegal actions or inactions. The problem is how we regulate these institutions. If for the deviations from the rules of traffic we will

give fines that do not take into account the offender's income, we will still have a category of recidivists, from the category of people with high income. Instead if differentiated fines are applied in accordance to the offense committed and the offender's income, so that those with higher income pay a higher fine, we will see fewer offenders from this category as well. Likewise, if we regulate and apply the imprisonment penalty for any offence, and any prime delinquent will not get results in terms of prevention. The prima offender must be given an alternative instead of detention, the thief, escapist, and all those put on money-making, must be re-educated through labor and employment; the dignitary or official found to be corrupt must not ever be permitted to occupy such a post, and its pension should be diminished such as to reach a welfare level. It is not what we see, for example, at the Superior Council of Magistracy, which is faced with corruption among magistrates, it proposes the removal from the magistracy, and at his retirement he may not receive his special magistrate pension, but that calculated from the public pensions. It is a concept that seems to be from the "golden age", but we accept it and advocate for this form of rehabilitation, and prevention by discouraging those bent on money-making. How do we discourage corruption among magistrates, if we do not have the necessary means, how can we stop the so - called errors of law unless we have an effective law for magistrates for judicial errors liability?

We all pay for mistakes, including us, indirectly, for the magistrate's mistake and this is hidden behind that provision according to which the state is responsible, through the compensation granted to the one being judge and arrested unjustly or for those addressing ECHR, and are finally made right in a civil or criminal.

In the specialized literature there are voices who are opposed to the idea of prevention. This accredits the idea that crime is a social phenomenon that can not be influenced; the real cause of crime is found in the biophysical organization of the individual, crimes and delicts are created by the criminal justice systems and the failure against crime is due to the weakness of the sanctioning penal policy. In disagreement with these views, we have in mind that man can be modeled through education and changing of the situational contexts.

It must be taken into account that prevention activity has certain limitations:

- Can not provide equally for the many antisocial acts;
- Social costs of some prevention methods are very high;
- Momentary mental state of the offenders can not be provided;
- Some preventive measures that can be taken are contrary to local values and customs.

Some authors consider that prevention is achieved only by criminal measures in the sense that the punishment has an intimidating role. The same authors, representatives of the neoclassical current of the social reaction, consider that punishment, especially the severe one, remains the foundation of prevention. Criminal punishment, as it is known, refers to the following purposes:

- community's intimidation to commit antisocial acts (idea taken from Plato) and continued by the Italian positivism);
- Intimidation of the condemned criminal to do not commit antisocial acts, it's neutralization and general pedagogy.

These goals reach their target, in part because the punishment system is not adapted to the socio-economic, political and social conditions existing at some point. We still use standard punishments - prison for any crime and individual, whether it is a primary or recidivist offender, and the means, methods and execution conditions are prisoners of an old habit – the physical and mental suffering of the convict. For these reasons, the punishment does not achieve its goal.

Others argue that the repressive system makes prevention not be feasible, antisocial acts increasing year after year. This point of view cannot be accepted. The repressive system with its bad and less good was adopted precisely for the need to prevent anti-social acts, only that the forms of punishment and execution condition were diversified, the inhuman ones predominating for a long time. Officially the inhuman criminal treatment is prohibited, but still inside prisons the inhuman custom persists, that

will never disappear such as: maltreatment of prisoners by guards, "punishment" through rape and subjection to all sorts of perversions for the ones convicted of rape, pedophilia and incest by their room colleagues, etc.

Also, representatives of civil society, especially the social scientists, have tried to realize "antedelictum", activities with a social character, in order to prevent delinquent acts engaging the state institutions, based on prevention programs that were expanded during two decades.

All these led us, eventually, to formulate a definition of crime prevention. Thus, prevention consists of a set of socio-economic, technical, organizational, administrative, disciplinary and judicial-educational measures taken by the state and non-governmental bodies that have as their primary endpoint, limiting the possibilities of committing an offense [5, p. 178].

By definition that takes into account only the primary offense and not any relapse, which is subject to clinical criminology.

But prevention takes into account any type of delict, whether committed by a recidivist or primary offender and consists of a set of measures such as:

- Socio-economic measures, able to ensure a decent life for all members of society;
- Support socio-economic measures for the disadvantaged groups, families with many children, those who for objective reasons can not find a job and others;
- Educational measures that are taken by some state institutions, such as prosecutor, police and others;
- Penal measures through which special rules are established, such as lethal weapons possession without authorization, drugs, whose breach attracts the punishment of perpetrators;
- Measures for the protection of minorities and disabled persons;
- Rehabilitation and social reintegration measures and so on.

Disputes in the specialized literature regarding the prevention of criminality have led to the formation of two guidelines that require some comment.

A first orientation takes into account the fact that prevention includes "everything", meaning all the means to prevent and combat crime, beginning with punishment applicable to those who are guilty of committing antisocial acts and finishing by repairing the injury brought to the victims.

This theory can not be accepted because it does not take into consideration the measures taken "antefactum", before the crime is committed, from here and on we can talk about prevention by intimidation, the inhibition of those tempted to commit any crime.

The second theory holds that prevention is held until antisocial act is committed and the perpetrator is punished. This theory is simplistic because it does not recognize the preventive, deterrent of those actions, measures, methods and means taken or made during the commission of crime and postdelictum.

After committing the crime or delict the effectiveness of criminal sanctions applied is watched.

A classification widespread and accepted in the specialized literature is the tripartite one according to which prevention has three levels:

- A primary level: prevention is represented by the measures taken to change all contributing factors of crime, such as ensuring a minimum wage, of social aid in order to ensure a decent living, housing, jobs, etc.;
- A secondary level: the preventive activity aims a series of measures applicable to groups presenting special crime risk;
- Tertiary prevention: in the concept of some authors, it is considering a series of social rehabilitation or neutralization of those who have committed crimes, designed to prevent relapse.

According to criminologist Denis Syabo there are three types of preventive measures [6, p. 273]:

- Measures to improve living conditions;
- Measures to improve the activity of state structures and institutions with responsibilities in the fight against crime (police, justice and penal execution system);
- Specific measures of services for offenders and socially underprivileged.

From all the theories and definitions we can conclude that, by preventing crime we aim:

- Eliminating, reducing the causes and conditions generating antisocial acts;
- Moral and social recovery of young offenders.

This is done through socialization and re-socialization, through a series of legal and extra-judicial measures, aimed at combating the multiplication and proliferation of anti-social acts in different social environments. This ensures the protection and social defence of individuals, legal persons against crimes and delicts, restoring social order, repairing damages suffered by victims, punishment of perpetrators of crimes and delicts.

This includes developing policies of a criminal nature to combat, to neutralize the crimes and delicts in society, as well as implement programs and economic, social, educational measures, to support the young and disadvantaged people.

Therefore, preventing and fighting crime has:

- a social character, aimed at identifying factors and conditions that generate crime and delinquent behaviour;
- a legal character, because through the system of sanctions, penalties and institutions established in the society, the social reintegration of young offenders is made.

A precise definition should clearly specify the actions, measures, methods and means of prevention, their nature, objectives and purpose.

In our view, crime prevention is a set of actions, measures, non-coercive and coercive methods taken to reduce the likelihood of committing antisocial acts or their severity.

The proposed definition requires some explanations. To qualify the non-coercive nature of preventive actions, it should be clear that preventive measures are not imposed to the will of individuals, but exclude any punitive action (detention, arrest, criminal or disciplinary sanction). These actions are carried out by family, school, church, socio - professional and other institutions and socializing environments.

Among the actions, measures, methods and means with a prevention character we can find:

- knowledge actions, detection and prevention of risk factors in criminal behavior. From this category we can include a number of social causes such as poverty, unemployment, lack of jobs, etc., In this case an important role is that of the state, that through the measures it takes must lead to the eradication of poverty, jobs' creation, decent living. Such actions must be aimed at preventing crimes and delicts. So, the economic or financial assistance given to an individual, a family or community to mitigate the effects of a disaster (earthquake, flood, fire) or poverty can not be considered a measure to prevent deviance, even if such a measure can determine the young people from these families or the community to restrain themselves from committing antisocial acts.

Individual characteristics (low intelligence, attitudes, aptitudes etc.) can become risk factors in certain circumstances and requires taking measures (educational, medical, surveillance, control and psychological support, etc.):

- Measures designed to prevent the commission of any unregulated delicts;
- Patrol actions, policemen and gendarmes intervention, which prevent and discourage illicit social action tendencies;

- Special technical means to prevent the forgery of documents, work accidents, traffic accidents, crimes and delicts against a person, crimes against property, etc. For example, in order to prevent the crime of forgery, some categories of documents (acts of civil status, CEC file, diplomas, etc.) are mandatory made with special printers which have a certain chemical composition, different filigrees and paper protection networks, are written with special inks, etc.

The means and ways to prevent theft that can be used by any physic or legal person are: property guarding, keeping the goods in storage rooms or places that are hard to reach by foreign persons, providing high security locks, installation of surveillance cameras, providing lighting places at night to keep the property, fencing them with appropriate fencing, installation of alarms, construction and use of safes with double-wall resistant material, inside of which chemical substances can be placed and when the walls are broken, coming in contact with air, toxic gases are emitted or even explosions occur, which obliges the offenders to stop committing the theft.

In conclusion, prevention through non-coercive actions can only be an action concerted with the causes and factors which favor the production of antisocial acts and not with their effects.

Types and legal tools to prevent crimes and delicts

About the first research in the field of crime and crime prevention we can about from the beginning of the eighteenth century - century influenced by the Enlightenment. Cesare Beccaria's work "On crime and punishment" (1764) is in the same line of thinking as Montesquieu, whose work "About the spirit of the Law" published in 1748 is considered the cornerstone of criminal law and criminology.

Types and legal tools to prevent crimes and crimes

Cesare Beccaria [7, p. 23-25] gave the first ideas about crimes and applied punishments. Thus, he militated for the state's concern to identify the most efficient measures of punishment and rehabilitation of the offender. When speaking about the rule of law he considered that they must be closely linked to the economic and social rules. The appearance of the work creates controversy within the whole social structure and causes adverse reactions of the authorities who judged the crimes and applied the punishments without a constant guidance. Observing this situation, Beccaria sought to classify and explain crime through a series of determinations historical, social, political, cultural, logical and ideological. The approach to these problems and the perseverance ended the unqualified interventions in the human behaviors by replacing inoperative opinions with scientific, psychological, legal or sociological concepts about the causes which led to or favored the committing of a crime. Knowledge of these causes is important, because they disclose, inter alia, the thinking, analytical and action capacity of the offender. The specific fundamentals of Beccaria's theory, primarily oblige the state to directly participate in the social reformation of the sentenced person and thus in the establishment of a social science which will adopt a new way of thinking - criminology, which will appear later, through the care of Gabriele Garofallo. At the basis of the orientation towards this subject stood principles regarding the normative and legal order and the punishment principles.

From the methodological approach of the normative and legal order two principles derive: the presumption of innocence and the principle of equality of men before the law.

The methodological approach of punishment, thought by Beccaria, covers a number of principles, some of which are found in the modern criminal procedure codes. The principle of equal treatment is an application of the principle of equality of men before the law and aims at the convicted persons. These norms should be aimed at regulating the conduct of groups of people and their finale purpose must be to increase the educational human activity.

The principle of provision punishment in positive law (in law) is the legal guarantee that the person who committed an illicit act or inaction will bear only the known consequences (sanctions), meaning those which the law provides. Thus, we must determine the exact form and extent of criminal

punishment, its form and position in the repressive forms system. Beccaria shows that this principle derives from the need to provide and protect the individual rights as well as their restriction conditions.

The punishment must not be retributive, intimidating or vindictive. This is another principle which permits resolving conflicts.

The exclusion of corporal punishment, torture and the abolition or limitation of application to the very serious facts of the death penalty is the principle of criminal severity, which is the essence of sanctions and punishment. This principle is the foundation of social re-education, any custodial sentence should provide maximum educational efficiency and the reformation of the individual's behavior should be in the interest of society.

The uniqueness principle of punishment requires that any crime is punishable only by a single sentence, even if there is any direct link between the actions or inactions considered crimes.

The freedom principle of the criminal states that the person's sanctioning operates only when the person has physical and mental capacity when committing the action or inaction and only if he is prosecuted.

The principle of evidence management requires that the trial should be based on rules of evidence and to be published in order to prevent such abuses. The offender's oath has no relevance and is inconsistent with the assessment of subjects on their behavior.

Because of the way he presented punishments in the relationship between state and individual, Beccaria was accused of coming in the defense of the latter.

With all the accusations and oppositions, Beccaria's ideas could not be ignored. His ideas were taken and applied in the systematization of criminal laws, in the prison administration and in the work of preventing crime and delicts in developed countries. Researches regarding the offender's personality began during this period. They were of interest to the criminal science, and after more than a decade after the publication of his work some states have abandoned the death penalty, torture and began to reform the system of punishment execution.

Another important contribution was brought by the Italian Francesco Carrara (1805-1888) - the establishment of the application principles of criminal norms and establishment of connections between actions and inactions considered punishable crimes, punishments' grading. One aspect on which the thinker insisted on was that of a preventive punishment of crimes and delicts. Guaranteeing, by law, of the penalty application, will lead to the formation of an individual behavior, tolerated by society and the legal equality of juridical treatment is a lever through which the authorities' abuses are avoid. Without recognition of the freedom of thought and action, we cannot talk about an effective individual responsibility.

Carrara's ideas on the freedom of action and thought, equality before the law and legal treatment influenced the adoption in 1889 of the unified Penal Code, valid throughout Italy, and parts of them were introduced in the legislation of other states.

The Romanian, Ion Tanoviceanu, considered the "father of criminal law", an ex professor of criminal law and criminal procedure, was concerned with structuring and strengthening the original interpretation of criminal law, by removing the old compilations and annotations and permanently adapting the criminal law to the socio-economic conditions found in a permanent change.

One cause that generates crime and increases the number of criminals, as stated by Tanoviceanu is kindness of criminal laws, and some of the determinant factors are corruption and unjustified indulgence of the magistrates. [8, p. 29]

Tanoviceanu's ideas about the causes of crime can not be ignored. It is known that in the immediate period following the coup of December 1989, the number of murders and delicts has rapidly grown and diversified, due to lack of legislation, of penalties and ineffective sanctions, but also because of corruption in the state government, including the judiciary. If the eminent professor was talking about "indulgence of magistrates" as a determinant of crime, we believe that this indulgence has its foundation in corruption and not in the conviction based on evidence that in the future the delinquent will not commit illegal actions.

The prevention of crime and delicts through combating its genesis and identifying the general characteristics specific to the sources of crime is the fundamental thesis of professor Tanoviceanu. To this end he advocated for the creation of a national, complex system to reform the socio - economic system, and legal and administrative structure by removing those institutions and rules that proved ineffective in combating crime. He does not come with solutions for the organization of society, but has made some proposals such as: defending the traditional rights on insurance of existence; equality before the law; insuring the rights so that any social or economic inequality should be tolerable for all individuals. The social, economic and fiscal policy practiced by the post-Revolution governments led to deepening the social inequality and subsequently to the amplification of the offenses. An example of this is to impose all taxable incomes by 16%, excluding pensions below 1,000 lei, with the pretext that this way they will reduce the tax evasion or other crimes that take the form of underground economy. The principle of fairness in tax matters is deliberately violated. According to it the one who has realized taxable income and has taxable goods must contribute to the public budget with higher taxes. In this sense, the tax based on global income is a tax which is consistent with this principle and however, was removed.

Likewise, exemption, scheduling, rescheduling policy and others, in terms of taxes, is a tendentious one, which affected the public budget.

We can not say about this fiscal policy that it lead to lower crime or combating crimes (economic, fiscal, banking, against public or private property of the state or administrative - territorial units).

Another personality of the Romanian criminal science was Vintilă Dongoroz (1883 -1976), officially recognized as "the patriarch of the Romanian criminal law" due to his ideas and theories, substantially contributed to the development of the system and theories of this science. The principles of modern criminal law (principle of equality before the criminal law, the instructive - educational principle of criminal law, criminal liability personality) assumed by the Romanian Criminal Code of 1937, are characterized through sustainability and continuity and are still in force. [9, p. 235-237] His thesis according to which the law must exist even if it is harsh and for every crime there should be a law as well as an approach of an extensional manner of the criminal law institutions have caused a corresponding criminological analysis.

Another great scientist who was remarked through his research in the field of forensic medicine was Mina Minovici, founder of the Rumanian forensic school and the one who established The Forensic Medicine Institute that bears his name. He designed the system and anthropological criteria of individuals and especially of criminals. He researched the effects and the evolution of mental illnesses as well as the morphological characteristics of different organs, based on the principle that in order to understand the killer it should be examined in terms of natural endowment and the mental reactions. [10, p. 322]

From a legal point of view the criminal behavior (delinquent) is the one who violates the criminal law, who protects against crime, the country, sovereignty, independence, unity and indivisibility of the state, individual's rights and freedoms, property and the rule of law. These are considerations for which the criminal behavior is a potential or real social danger for which the state must take appropriate measures, of social, economic and legal order in order to prevent and combat crimes and delicts.

In the practice of the activities to prevent delinquent behavior, as well as in the specialized literature, the following terms may be used: "*integrated prevention*", "*general prevention*", "*special prevention*", "*secondary prevention*", "*tertiary prevention*", "*institutional prevention*" so.

The concept of integrated prevention requires concerted action of various social actors in the prevention activities.

The size of the term "integrated" targets the global character of prevention taking into account all the elements of the aimed antisocial fact (crime, authors, victims, social environment and the role of the authorities), possible types of prevention and the number of social courts, with specific roles in their area of competence [11, p. 538].

Integrated prevention is not only a simple combination of social and situational prevention, but a coherent action and unified management of the social actors participating.

At the central and social level, this requires decentralization of activities, actions and preventive measures, while ensuring their coordination at the national and local level.

Attracting people and other social subsystems in the activity of prevention is another feature of the integrated prevention.

Prevention can not be improvised, but requires meticulous research of circumstances that frames the antisocial phenomenon, understanding the material and human causes, on which the measures are going to be applied on, taking into account the means with which they are work with, results and costs of the action etc.

The term "integration" has several meanings. In general, it means "all", composed of elements well articulated with each other. This unification of competences and specific means ensures the two characteristics of the action: globalization and coherence. Globalization takes into account the relevant actors of the social context, the criminal act, predictable methods of action, factors and mobilized resources. In turn, coherence is approached in two ways [11, p. 539]:

- Horizontal consistency aimed at targets, factors and methods;
- Vertical coherence aiming for scope, operational objectives, means used.

The systemic approach allows all those who act in a complex situation, to perceive dysfunctions and take into account the different levels of social and institutional reality. This includes ensuring the variety and balance of methods and means used, the articulation of different types of intervention, which ultimately lead to a correct assessment of the results obtained in a preventive action.

General prevention addresses education in a whole and aims at the general factors of production of criminal offenses. It takes into account all existing social relations, which in some circumstances may be affected by the conduct of individuals. General prevention focuses on two major coordinates: juvenile delinquency prevention, prevention of crime in general.

Regarding to the first category it was and is considered to represent the substance of prevention.

The substantiation of this type of prevention is based on the idea that the personality of young people and trainees can be changed and reshaped by education, than the adult personality, who is already formed; the latter is no longer sensitive to education, but it is only influenced by the fear of criminal sanction.

Regarding the second type of prevention, crime prevention in general, it is argued that the effect is achieved only by the intimidating effect of the criminal sanction.

Special prevention concerns factors that contributed to the commission of criminal acts which could become generating factors in the commission of such acts. This is done through the education of "target groups", respectively of those that present an increased risk of victimization and through the education of potential offenders.

Depending on the time of the actions, prevention can be antedelictum, prevention through intervention and postdelictum prevention.

The antedelictum prevention, meaning before committing the criminal act, is done through a number of steps leading to the removal, in whole or in part, of those factors that could favor committing antisocial acts. These measures consist of cultural, education, legally moral activities made by family, school, community, church and other social institutions as well as through various technical, criminal means of protection of individuals, property and social values. In this respect, it acts to reduce the risk of victimization among community members or "target groups" (elderly, women, minors, etc.) and is aimed at potential criminals and favorable exogenous conditions.

Prevention through intervention (intervention) is concerned with the measures taken while the offence is being committed against individuals, who have committed antisocial crimes, by the police, prosecutor's office and justice responsible for the social defense and safety of individuals and state institutions.

The main role in the fight against crimes and criminality, social protection of individuals and communities and within the institutions is that of the police. They inform the community about ways of preventing victimization, about who to identify criminals and offenders, register and handle cases of crimes and offenses.

Postdelictum prevention - after the committing of a crime - is achieved through the application of sanctions and punishments to the offender by the specialized agencies, in particular the courts. This involves isolating the individual from the community he is a part of, his admission into the center of education, establishment, prison, etc., and getting him in a special program of re-socialization and social reintegration

One of the most important tools that help to prevent and combat crime and delicts is the law and especially criminal law. All that is called illegal action or inaction of individuals and legal entities must be classified as being crimes or delicts as appropriate and sanctioned as such. The normative acts that regulate a particular type of crime should enter into force immediately, but in order not to violate the provisions of the current Constitution, the three days term from publication in the Official Gazette must be respected, but never longer periods. In the latter case, we give the legal possibility to some individuals to continually violate the human rights. An example in this case, is a normative act forbidding the sale of counterfeit, pirated goods, etc., which was going to enter into force, according to law, within 60 days after its publication in the Official Gazette. During the time remained from the publication of the enactment and until the entry into force the pirated discs and music cassettes are sold by individuals who have the knowledge that they commit an act infringing intellectual property rights.

Therefore, we see that almost all the delinquent individuals act deliberately, are aware about the fact that they bring prejudices and bear full responsibility for the criminal activity. In other words they are criminally liable.

In order to attract criminal liability it is necessary for the deed to meet the following constitutive elements of crime: to represent a social danger, to be committed with guilt, to be provided by criminal law.

Delinquent acts are a social danger because they are threatening the social values whose integrity and safety is subject by the normal development of social relations.

Dangerous to society are generally all actions or inactions that violate legal norms and prevent the normal development of social relations settled by the provisions of law.

For the purposes of criminal law, dangerous to society are the facts that harm or endanger the most important values protected by criminal law

The social danger of a crime is the fundamental criterion of criminalization.

In the individualization of the social danger of the act, an important criterion is the injured social value, the injury or danger created by it. In connection with "the vague and inaccurate character, able to give rise to arbitrariness" of social danger, supported by the author, some clarification are required to be made.

After the assessment the social danger is presented in an abstract and concrete form. Abstract danger is the one closer to the legislature through the incrimination of a type of offence, which is reflected in the nature and limits of the punishment. The degree of abstract social danger of an act is susceptible to the social - economic changes. Thus, the degree of social danger of a crime may decrease by lowering the penalty limits. It can be reduced in such a way so that the act is removed from the criminal sphere, as it can be increased if the circumstances are likely to lead to the conclusion that an act committed in these circumstances is dangerous to society.

Concrete social danger is appreciated by the trial court on the occasion of a case. All crimes have social threat, but the degree of risk varies from one crime to another, depending primarily on the importance of the violated social value and the limits of the punishment provided by criminal law. Therefore, if it is an act of murder, this is more serious in relation to involuntary manslaughter or theft.

For an act to constitute an offense, besides social danger, the essential guilt feature is required, without which there is no question of crime and criminal liability.

Guilt can be manifested in any normative form enshrined in the criminal law, representing the synthetic expressions of the various manifestations of mental attitude of the offender towards the illicit action or inaction and its consequences. The offender's attitude can manifest itself as intention or negligence. These forms are defined by two elements: an element of consciousness (intellect factor), provision, representation and a will element (volitional factor). These elements are closely interlinked, the will act is always correlated with the conscience one.

The last essential feature of the crime is the scene provision in the criminal law. To prevent and fight crime through the means of criminal law, the acts which present a social danger have to be provided by the criminal law as crimes. If the offense is not covered by the criminal law, the other features of the offense are not of interest.

The distinction between "act provided by "the criminal law" and "crime" is considered by an author [12, pp. 127 – 128] to be artificial, and the term "social danger" "a imprecise, inaccurate notion, capable of giving rise to arbitrariness. "

Such opinions may not be accepted for several reasons. Understanding the regulations of the Criminal Code and the correct application of law are necessary to distinguish between the terms "offense under the criminal law", "offense", "criminal act", with which the law and the specialized literature operates. Thus the words "crime", "criminal act" have the same meaning, the same legal significance - meaning that this is an act which constitutes a social threat, committed with guilt and provided by the criminal law. In other words it is about an act that meets the essential characteristics of the crimes provided for in Article 17 of the Criminal Code.

The phrase "offense under the criminal law" has a larger area than the concept of "crime". For an act to fall under the criminal incidence, meaning to become an offense (criminal act) it needs to meet even

the guilt trait. If there is no guilt, the act remains as being provided by the criminal law, but without being an offense. In this respect, the provisions of art. 44 of the Criminal Code state: It is not an offense the act provided under the criminal law, committed in self defense. Consequently, the act committed in self-defense remains an act provided by the criminal law, but without the guilt factor it does not have the criminal character.

The lack of one of the constituent elements of the offense results in the absence of crime. "Nullum crimen sine lege", "nulla poena sine lege" - the principle of the punishments' legality is enshrined in the criminal law of the modern legal systems and is the guarantor of men's rights and freedoms.

The object of the crime, also known as the social juridical object is constituted by the social values protected by criminal law, and which are damaged by the perpetration of the criminal antisocial act. They are of interest primarily to determine the seriousness of the criminal act. As the violated social values become more important, the criminal act becomes more dangerous. For example, rape is a more dangerous offense than theft. In addition to the object of the offense, in determining its severity the form of guilt, the terms and conditions to commit criminal acts, its motive etc. must be taken into account.

The offender may be an individual or a juridical person who commits an illicit action or inaction for which he must answer for and is the one who must suffer the negative consequences of its acts (passive subject).

The age required by law is important because only the person who has reached a certain age is considered to have acquired the psychological faculties that allow him to realize his actions or inactions and is able to master them. As stated in art. 50 of the Romanian Criminal Code we cannot talk about a crime if it is committed by a minor who at the time of the crime did not meet the legal requirements for criminal responsibility.

Responsibility, known in the specialized literature as criminal capacity or imputability, is one of the guilty premises. A person is responsible when he has the ability to realize the significance and value of his actions or inaction, and when he can master and manage them. The individual (the minor) becomes responsible when he turns 16 years, in the sense that it acquires the power to realize his actions or inactions and is able to control and manage them. Responsibility is assumed and discernment must be proved. Only the responsible person who has committed a criminal action or inaction with guilt is criminally liable.

Freedom of thought (decision) means that the individual has free will, can deliberate and decide as he wishes, without the intervention of any external constraints. The freedom of action means the possibility of the individual to act according to his will, without being subjected to physical constraints. Only under these conditions the individual becomes delinquent, being obliged to answer for its illicit actions or inactions.

The objective side is the element of criminal action or inaction which shows a certain attitude of the offender to the social values protected by criminal law, with the consequences that are produced by damaging these values.

Action or inaction is an exterior act, a physical activity, without which there is no question of criminal offense. An offender's action is generally related to a prohibitive norm through which activities are prohibited, such as prohibiting theft, collision, killing, etc.

Most of the illegal acts are committed through action, because the legislator by defending the social values provided by the criminal law prohibits their damage.

Inactivity means not doing what is imposed, which is ordered by law. Thus, the violation of norms by imposing the obligation to do something, obliges the recipient to a certain behavior in order to protect

social values (the obligation to give aid to the one in distress, to help the family, to denunciate a criminal act, etc. .)

The consequence or result of action or inaction can be defined as being the damaging of the object or the creation of a state of danger for it, through the committing of illicit action or inaction. For example in the case of murder the person's life is violated and in the case of attempted murder, robbery, etc. a state of danger, of direct menace is created to the passive subject, sufficient so that it enters under the incidence of criminal law.

The causal link between the illicit action or inaction and dangerous result is a problem which is always in the attention of theory and practice criminal law. The authors are making efforts to build an instrument capable of offering fair solutions for solving all the cases with which the courts are faced with.

For example, in the case of murder first the causal link must be established between the death of the person and the criminal's activity. If the person's death is not the result of the action taken by the individual suspected of murder, but is due to other causes, he will not be liable for the offense of murder.

In order to fairly solve the causation link in some more complex cases in accordance with the legal practice some clarifications are required:

- To determine the action or inaction that led to harmful results, we will start from the result produced by analyzing the causal history. If the causal process identifies a number of actions or inactions, we will have to determine which are important for the following result, which generated its production and facilitated, encouraged, the result;

A causal link exists in the following circumstances:

- If the dangerous consequence took place after a certain period of time after the action or inaction ended (the murder case, the injury etc.);
- When the same result would be produced, after a short period from the committing of the criminal act, due to other causes (death occurred due to the medical conditions of the victim);
- In the case when the action or inaction caused the dangerous consequence together with other pre-existing, concomitant or posterior circumstances if it would not have been produced, only in the presence of provocative acts. For example, in the case of the deadly blows, when the victim suffered from a chronic illness or is drunk, and because he fell, the blow became deadly, or other circumstances have occurred that favored the death (a victim slipped, fell and hit his head on the sidewalk).

Another issue that has generated a series of discussions is the one regarding the causal value of the inaction, if it can be the cause of a harmful, dangerous result.

Professor G. Anthony shows that inaction has no causal value, only action. Only if the law incriminates an act as inaction, the unlawful nature of the individual is sanctioned, not the result produced [13, p. p. 234].

We maintain that not only action has causal value, but also inaction. For example, failure to take the first aid measures in case of distress, or intentionally not providing the medical care needed in the same circumstances, by the physician. This is the conclusion drawn from the provisions of the criminal law. Thus, as stated in art. 315 of the Romanian Criminal Code, this is the offense of leaving without help, "failing to give necessary help or to inform the authorities by the person who has found a person whose life, health or physical integrity is at risk and is without strength to save himself ". Also, not informing the authorities by the person who has found a person whose life, health or physical integrity is at risk represents offense of leaving without help through omission of notification.

From the analysis of these laws, it results that the term offense does not tell us if the individual has a passive action, if he does nothing but rather what the legal norms dispose. Although he has the obligation to prevent causing dangerous consequences, the individual does not comply with it and allows other forces to act as if they had used them himself. Therefore, this behavior of the individual can produce as harmful consequences as the action [14, p. 303].

The subjective side constitutes the mental attitude of the individual that precedes and accompanies the committing of illegal actions or inactions. This attitude is manifested in the form of intention and negligence. Intent or negligence is a required element of any criminal acts that reveal the author's negative, illegal action or inaction towards the social values protected by criminal law. For damages to social values, the criminal law provides the punishment of the author of the illegal act with the purpose of his re-education and the defense of others.

Guilt and the individual's acts are the elements on which criminal responsibility is based on. Without one of these aspects we can not speak of the existence of the criminal act and criminal punishment. There is no guilt if the individual did not act freely and knowingly, was not responsible and had no freedom of decision and action.

In addition to guilt with its two forms, the individualization of punishment takes into account the motives and purposes of committing illicit action or inaction.

The crime's motive can be defined as an inner impulse that determines the individual to take the decision to commit the crime and through goal we understand what the offender intends by its commission of the crime.

These subjective processes (motive and purpose) are provided in the content of offenses, and where they are missing, it is the courts' duty to find them, in order to make a correct classification of the offense and the just individualization of the sentence.

For example, the crime's motive is found in art. 247 of the Romanian Criminal Code, which provides as a crime the "abuse of office by restriction of rights." The reason for the restrictions is the race, nationality, ethnicity, language, religion, gender, sexual orientation, opinion, political beliefs, wealth, social origin, age, disability, non-contagious chronic disease or HIV / AIDS.

The motive is provided as a special aggravating circumstance in case of murder (paragraph 1, art.175. letter b of the Criminal Code) due to material interest. The purpose of the murder committed by an individual is "to evade or escape from another prosecution or arrest, or execution of punishment" (Article 175 paragraph 1 letter. g). So, the purpose, as special aggravating circumstance is provided in the case of murder committed "to facilitate or conceal the commission of another crime" (Article 175 paragraph 1 letter. h.).

In other cases, the motive of the killing is not provided, specifically, but it can be revenge, jealousy, material interests etc.

Another aspect of the crimes and delicts legal approach is that of defining certain criteria to enable their grouping in order to identify their general and specific characteristics.

Thus, the current criminal law grouped offenses (crimes) according to the damaged social values through an illicit action or inaction in 10 categories.

In turn this subset of crimes is divided according to actions and inactions that harm the same type of relations and social values. For example, in the subgroup "Crimes against life, health and bodily integrity" entitled "Homicide" are included the following illegal actions or inactions that led to the death of the person: murder, manslaughter, infanticide, involuntary manslaughter, determining or facilitating suicide.

Grouping offenses after these criteria is criticized as they put in the forefront not the person, but state security, or the most important social value can only be the man therefore criminal rules should pay more attention in this respect. We always mention that man is the supreme value in society, but within the scope of criminal law provided by art. 1 of the Criminal Code we find it placed on the sixth place. For example, the crime of "treason" referred to in art. 155 is punished by life imprisonment or imprisonment from 15 to 25 years and interdiction of certain rights, while murder is punished with imprisonment from 10 to 20 years and interdiction of certain rights.

Also, after more than 20 years we still do not have a criminal code and criminal procedure, which constitutes a real instrument to prevent and combat modern crimes and delicts.

Referring to the kinds of laws, Ch Montesquieu (1689-1755) in his "Spirit of the Laws", said: "Laws should be fit to people because they are made for them and it is very rare when the laws of a nation are made for other one". On this aspect, it is necessary to mention that Romania, as a EU member state is obliged to adopt laws and other regulations that correspond to European standards. Here is the problem to be discussed. So, it is one thing to have a consolidated democracy and its own laws and another one to have a fragile democracy with an inefficient justice and administration, with some corrupt officials and magistrates, with import laws, inadequate to the existing social and economic conditions. [15, p. 232]

Referring to the character of laws the same author show: "They must be suited to the physical conditions of the country: the climate - cold, warm or temperate. - the quality of soil, the settlement and its extent; the way of life of people, - ploughmen, hunters or shepherds; they must be appropriate to the degree of freedom that the state can allow, the religion of the people, tilting, with wealth, with the number, the trade, with manners, with their skills." [15, p. 235]

Conclusions

Finally some remarks are necessary. The study of crimes and delicts was a concern since ancient times and it is indispensable to any form of state and political regime. In this respect, theories, guidelines and studies were issued on the causes of committing crimes, delicts and guidelines and programs were developed which were focused on how people, communities and the State should act in order to prevent and combat anti-social acts.

The analysis of this complex social phenomenon, crime, includes considering all the generating or favoring factors of antisocial acts, economic, social, cultural, political, globalization, integration in different European and international structures etc.

Crime prevention is not the privilege of the state institutions such as the police. It required close cooperation between citizens, between state institutions and non-governmental organizations, among all states and international organizations.

At the state level, the political class, the government has an important role in preventing and fighting crime. It must develop social, economic, educational policies, programs and measures, primarily antedelictum before committing antisocial acts.

An example, in this regard is the social policies and programs to combat poverty, unemployment, policies and programs in the field of education, etc.

Another dimension of the state policy is the re-socialization and social reintegration, implemented through measures such as educational, economic, and social that it will lead to the recovery, rehabilitation and social reintegration of the individuals concerned.

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Supplementary recommended readings

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- Anthony George, (1968), *The causal link in the criminal law*, Bucharest, Scientific Publishing

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