



THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
**EUROPEAN INTEGRATION  
REALITIES AND PERSPECTIVES**

**Performance and Risks in the European Economy**

**Romanian Economy  
during the Great War 1914-1918**

**Gheorghe Stefan<sup>1</sup>**

**Abstract:** Years of neutrality were essentially the worsening fiscal period for most of the residents, cashing any type of authorities rigorously tax. By carrying out a national loan liberal government managed to reduce the debt to the National Bank he had. Entry will the current war exacerbated the decline of the Romanian economy due to this unfortunate campaign year outcome of the first part of the war. In terms of economic recovery even with economic growth potential of Romania after the union prewar production levels and exports in various fields will be achieved in 1921 and 1924 which will contribute to the deepening economic crisis after the war

**Keywords:** economic war effort; economic recovery; economic blockage; economic aid; reparations.

**Introduction**

The outbreak of World War represents a turning point in the contemporary history of world states due to both causes and consequences it has generated. The struggle for the division and redivision of the world, mainly economic considerations will find most belligerent states unprepared to support an economic war effort so long, among which will include and Romania. The issue of financing military spending will be an extremely urgent for governments of states that are involved in conflict, the only foreign lending. Romania will range from the start in frontline disputed by the two military and political blocs, the Central Powers, the Entente concerned. The political class and public opinion also would divide into two camps on the grounds of sympathy or political expediency country into war supporting one side or the other. Both sides beligerent promising more or less veiled support the interests of Romanian provinces under foreign domination, the Entente guaranteeing the rights of Romanians in the Banat, Transylvania, Bukovina, under the domination Austro-Hungarian to join the Old Kingdom while the Central Powers claimed the right Romania to join Bessarabia, the territory between the Prut and Nistru which was under Tsarist occupation. Given this critical situation and the lack of preparedness of Romania to have a successful military campaign, Crown Council will decide the adoption of neutrality in armed receive years of the war from 1914 to 1916. The dispute between the belligerents did not take into account the status of neutrality of Romania, each side seeking to occupy dominant positions in the Romanian economy, being used every weapon possible economic from buying shares in industrial or banking going to grant credits Romanian state buying large quantities of grain and oil to attract Romania on one side or the other. In 1916 the states' Entente was

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strengthened strongly detrimental member of the Central Powers, the capital of French, English, Dutch or Belgian already accounted for over 61% of the total foreign capital of industrial companies in the country while the capital of the German and Austro-Hungarian Empire not only held about 36%. The dispute you plan to be sustained and lending, Italy and England being among the states that have supported Romania's military preparations. The war caught unprepared Romanian economy not only for effective participation in the conflict, but also the situation of neutrality since the two sides will mutually boycott trade relations around the globe even with neutral states.

Economic disruption will be a blow strong enough for both import and especially for Romanian exports especially after Turkey's entry into the war on the Central Powers. Moreover, the Romanian army was poorly equipped compared for the other belligerent countries, equipping costs are extremely high. Representing sufficiently weak automobile industry, without having a developed branch of the chemical industry, the Romanian economy nun was able to cope with war, especially since the results had been made public even during Romania's participation in the Balkan campaign. Army had suffered due to less favorable business that the state has with various companies, being high profile scandals. However, in order to fill skills gaps will open more schools for apprentices to prepare turners, personal ethnic adjustors, etc.

## **Content**

Agricultural production situation best reflects the Romanian government's efforts to increase production statistics provided clear: in 1913 wheat production increased from 2229 million to 2440 million tones and area under maize has increased from 1,600,000 ha 2,100,000 ha in the same period. For now need to build state reserves will be crucial for sustaining economic war effort so that the Romanian authorities will stop the export of grain but good harvest of 1915 led to the request of exporters granting special permits for the export of grain. Lower acquisition prices offered by German and Austro-Hungarian Romanian State will boost export grain mainly in the states of the Entente however, blocking the straits Bosphorus and Dardanelles Turkey will have decisive effects regarding the decrease in export revenues collected by the state or Romanian companies between 1914-1916 years the situation will worsen greatly residents from cities primarily due to unemployment in industries that had no direct cooperation with the army. (estimates reach the figure of 100,000 unemployed workers in March 1915 in Bucharest no 2/3 were working in Manchester and 44%.) the price of food will increase sharply and rents alike. Impoverishment industrial workers will be enhanced by the concentration of state made massive numerical growth of the army.

## **Economic War Effort of Romania 1916-1918**

The economic situation will worsen further with the entry of Romania into the war on August 14/27, 1916. After a brief victorious campaign in Transylvania joint forces of Austro-Hungary, Germany and Bulgaria will determine the alignment withdrawal Romanian Carpathians and the Danube highlighting weaknesses the national army. Central Powers offensive force will continue Romanian army, with all the support ally, will have to cede the Carpathian mountains, Turtucaia, south of the Danube, and after the Battle of the Neajlov-Arges to evacuate part of the national territory. Fleeing authorities, the military and the large numbers of people in Moldova will create serious economic difficulties, social and political to which should be added the military front line was stabilized and Focsani Eastern Carpathians, Nămolosa, Galati and the Danube. In enemy-occupied territory will establish a pro-

German administration, with the sole purpose to help the soil and subsoil riches looting the benefit of the Central Powers. Military preparations on Romania's imminent entry into the war will not go unnoticed, as well as financial and economic effort to match. The costs will amount to an impressive amount of 539 million in 1913 to 1914, reaching 542.5 million in the 1914-1915 budget year 1916 to 1917 lei 831 mil.

Years of neutrality were essentially a worsening fiscal period for most of the residents, authorities rigorously cashing any type of tax. By carrying out a national loan Liberal government managed to reduce the debt he had to the National Bank. Entry actual war will exacerbate the decline of the Romanian economy this unfortunate campaign due to an outcome of the first part of the war. Offensive Romanian army in August 1916 in Transylvania will end too quickly, after only four months of the onset of operations enemy managed to occupy Oltenia, Muntenia and Dobrogea thus depriving the Romanian authorities of important human and material resources required front, the evacuated population not only . Defeats in the first part of the military campaign will yield about 100,000 dead, 150,000 injured and 250,000 prisoners losses that will result in new recruitments and emphasizing the peasants and workers of industrial and agricultural decline. Evacuation in Moldova and Eastern Carpathians ridges front stabilization and alignment Focsani, Galati-Nămoloasa offered brief respite to prepare recovery with constant support of Romina army allies.

Although previous conditions laid down in the Convention alliance with the Entente have been partially allies economic collapse, military and political foreshadowed on Romania and danger transition resources that occupied Central Powers led supplementation economic aid and military assistance to the Romanian state will succeed unreasonable in the summer of 1917 to record only victories Entente theaters of operations Mărăști, Marasesti and Oituz. Central Powers in occupied territory shall institute a harsh regime of domination through military administration which will aim Romanian economy enslaving their war effort. It will pass the destruction of all Romanian industry components that could not be made functional occupant or could not be deployed in countries such as the Central Powers extraction industry and oil processing, food, railways, ports, etc.

Particular attention will enjoy oil exploitation, agriculture, monetary circulation and transport. Romanian exports, legal or less legal use on site of the army of occupation will further mitigate the potential national economy (1.2 million tons wheat, 495 000 tones maize, 860,000 cattle, 106,000 pigs, etc.). In unoccupied territory expenditures will increase more in comparison with diminishing resources which causes deficits and fiscal tightening. The large number of refugees, civilian or military, armed resistance or defense reorganization and administration of the territory will burden the state budget and so poor. Agriculture and industry will be reorganized on criteria exploiting oil fields and forests and will increase military spending to cope authorities will more loans from the National Bank for 1.2 billion lei in 1917, and 1,5mld lei in 1918, increasing the money supply in circulation (from 700 million in 1913 to 2 billion lei in 1918) will result in deepening inflation and rising prices highlighting the mismatch between the needs of the market and monetary circulation. The leu's depreciation will impose restrictions on the export of gold, National Bank, buy a site even at high prices in the domestic market.

### **Economic, social and Political Aspects of the Great Union of 1918**

End of the Great War, as it is known in Western historiography, represents a watershed in the history of participating States and especially Europe, the continent that was the main theater of war. Human and material losses were unprecedented at the time and is amounting to approximately 9 million dead,

5 million disappeared in 7 million and 15 million wounded. To these will be added economic losses amounting to over 330 billion dollars of which more than 200 billion incumbent allies, and on industrial production in Europe, fell by 40%, agricultural production by 30% and inflation increased more than 10 times. From the political point of view, we are witnessing the collapse of three large multinational empires: the Tsarist Empire, Austria-Hungary and the Ottoman Empire and in its place will come new member independent political as well as Austria, Czechoslovakia, Hungary, Poland, Finland, the Baltic countries and others will complete national unity: Romania, Yugoslavia. The defeat of the Central Powers will have important consequences not only political but also economic as new countries will seek to consolidate positions of political and economic independence internationally. Even if, at the Paris Peace Conference winning states will impose its allies Germany and reparations absolutely huge, they could not even hypothetically to cancel the social, economic and political war. Moreover, the war will contribute definitively to Europe losing its leadership in the economic field, it had to reorganize the areas affected by war. Countries like US, Canada, Japan and Switzerland will record higher profits from trade with belligerents but mostly because lending necessary reconstruction of war European states. The US economy emerges best from war, controlling it already in 1919, large amounts of capital in the European economies, thanks to massive loans granted. It will henceforth dominate the whole world, including Europe that will turn into a market for both goods and especially capital. If in 1913 the US held assets abroad over 3.5 billion dollars in the US economy and foreign capital invested approximately 6.8 million dollars, the war ended foreign investment had fallen by half while the value of US capital placed abroad helping to increase national income had doubled to 30% in 1919 compared to 1911.

Regarding the Romanian economy, it will record special thanks mutations in one state sponsor of all Romanian provinces after some major national events such as those in March 1918 in Chisinau November from the Chernivtsi and concluded on December 1st, 1918 in Alba Iulia. Representatives of the three Romanian historical provinces namely Bessarabia, Bukovina and Transylvania will vote for unification with Romania, their political act constituting a goal millennial fulfillment of all Romanians to live in a single nation state, unitary and independent. Romania Mare will now represent a medium-sized country in Europe thanks to the contribution of economic, territorial and demographic that each province will contribute to the Greater Romania. The process will still be a long one and will require additional costs territorial reorganization of administrative, legislative, economic, cultural, political.

Romanian provinces united in 1918 with the country were in a difficult situation as the ancient kingdom due to foreign domination, but, overall, the Great Union in 1918 will contribute significantly to increase the economic potential of Romania as follows:

- Romania's population will increase from about 7 million to nearly 18 million;
- the abolition of customs barriers is achieved a uniform system of national economy (savings and new provinces of the ancient kingdom are complementary);
- it will increase the potential of natural resources and material and intellectual.
- In social, mutations occurred in obvious economic weight of large landowners, lessees falls in favor of the bourgeoisie (entrepreneurs), the role of this social category which is now a political one.

## **Conclusion**

Integration into the national economy resources and technical capacities productive of the Romanian territories under foreign domination will diversify the economic capacity of the Greater Romania facilitating tightening economic links between various fields and increase production potential of transport, human and material resources of over 2.5 times the prewar economic potential of the Romanian state. Romania's participation in the war alongside the Allies will result in economically in only 1% of the total of over 132 billion marks that Germany had to pay allies under the title of reparations (during the Conference at Spa, it was absolutely tiny amount compared to the destruction and damage caused by the Romanian Central powers). Although Austria, Hungary and Bulgaria had established obligations to Romania by 10.5% (repair Oriental) yet The Big Four (US, England, France and Italy) will require smaller states (regional powers) payment of release rates, debt that respective countries they had contracted during the war. Also, the Great Powers wanted the successor states of Austria-Hungary to contribute and support proportional debts and reparations, in 1924 Romania establishing him the sum of 235 million francs, gold as share issuance and repayment by its allies. Romania has not paid those amounts but has not received any amounts due from Germany set out in Spa. Monetary and banking system will undergo changes in 1921 resulting from the withdrawal of foreign coins in circulation concomitant with the extension of privileges National Bank of Romania on the entire national territory.

Years of neutrality were essentially a worsening fiscal period for most of the residents, authorities rigorously cashing any type of tax. By carrying out a national loan Liberal government managed to reduce the debt he had to the National Bank. Entry actual war will exacerbate the decline of the Romanian economy this unfortunate campaign due to an outcome of the first part of the war. In terms of economic recovery even with economic growth potential of Romania after the Union, prewar production levels and exports in various fields will be achieved in 1921 and 1924 which will contribute to the deepening economic crisis after the war.

In terms of economic recovery, even in the economic growth potential of Romania after the Union, prewar production levels and exports in various fields will be achieved in 1921 and 1924 which will contribute to the deepening economic crisis since the war. The new national framework required generalization of reforms and measures popular as agrarian reform of 1921 (the most radical in Central and Eastern Europe) in which over 1 million peasant families will receive land by expropriating estates covering more than 500 hectares of farmland . Universal suffrage and the drafting of a constitution unit for all Romanians in 1923 will be the policy measures with significant social and economic implications. Union of Great Romania in 1918 will make an important state average on the map of Europe territorially and demographically, economically and legally, the Romanian state will manage to become the most important competitor interwar period in central and south- East of Europe.

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## **Romanian Economy in the Interwar Period**

**Gheorghe Stefan<sup>1</sup>**

**Abstract:** Resumption of economic progress Will Be slow, but unevenly but after overcoming the food crisis of 1920-1921, Romania will be able to deliver on economic recovery by attracting capital investment, Increase the number of enterprises and workers and especially by increasing the driving force and technical endowment of enterprises. The Central Authorities Legislation Will draw up related protectionist liberal economic doctrine “by ourselves” in most of the period, According to political algorithm and the result of Increasing domestic resource mobilization of capital while limiting the foreign capital in the Romanian economy.

**Keywords:** crisis; economic recovery; protectionist legislation.

### **Introduction**

Resumption of economic progress but will be slow and unequally but after overcoming the food crisis of 1920-1921, Romania will be able to deliver on economic recovery by attracting capital investment, increase the number of enterprises and workers, especially by increasing the driving force and technical enterprises. Liberal government will draft legislation related protectionist economic liberal doctrine “by ourselves” and seeking increased resource mobilization of domestic capital while limiting the foreign capital in the Romanian economy. By the Mining Law of 1924 will prohibit the concession for the operation richness of the soil and subsoil, foreign capital in an amount greater than 40%, according to the new constitution but under political and economic pressure foreign law will be amended so that Romanian citizens will be able to hold 50 1% of the capital and 49.9% foreign capital.

It divides the interwar period economically in 4 stages namely:

- economic recovery phase 1919-1921
- growth phase 1922-1929
- stage of the economic crisis of 1929-1933
- growth phase 1034-1939

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**Content**

Romania's economic recovery process (1919-1921) involved the creation of absolute targets similar to those held by many of the European countries affected by war and was characterized by the need to restore industrial and agricultural production by regulating monetary circulation and stagnation inflation by balancing balance trade and payment of budget income and expenditure and rebuilding infrastructure, transport concomitant economic recovery.

However, economic recovery and national industry development will be possible throughout the presence of foreign capital, which proves that although the policy of protecting domestic capital was much more present than in the past, Romania was still one of the most attractive markets in Europe for investment foreign. However, there is also a redistribution of the foreign capital share, French, English, Dutch and American, being much more present and active than German or Austro-Hungarian capital. Restoring agriculture will be closely linked to the agrarian reform of 1921 will expropriate over 66% (over 6 million hectares) in area owned by estates with over 100 hectares. Peasants they would be granted land plots farm of up to 5 hectares by redemption but in the early years of reform, agricultural production will be one less than the prewar subsequent development of agriculture and agricultural production will contribute to the improvement of the most important categories social and intensify the process of social stratification. Restoring the national economy will take longer than economic recovery of the Great Powers, but once the excess production and exports prewar state will take a far greater control over trade by encouraging the export of finished products and imposing a tax regime for grain exports and food products. In 1926, exports and imports will exceed the value of oil exports will exceed 40% of total exports.

**Stage of Growth (1922-1929)**

Economic growth in the first decade of the interwar period will be a natural continuation of the growth process both sequential production volume of trade but also due to the stability of the national currency and the quotation that it was on international financial markets. However the economic measures taken by the Romanian authorities could not score than the general trend adopted by most European governments, so that on the European level and internationally we are witnessing increasing competition goods exports (grains Romanian partly oil, raced strongly of cereals US imported European countries overseas. In this context, the Romanian state was forced to deal with economic measures defense of national economic interests and this was done through both protect domestic capital and by controlling and directing the national economy. Increasing economy will be helped by providing major orders in different areas of the state of private firms, both to equip the army and for achieving some infrastructure (metallurgy, energy of Transportation, manufacturing, textile, machinery, food). Economic boom in this period can be found both in investments in industry (from 40 billion to 75 billion-1929) but also in manufacturing, mining and electricity sectors where the share of this growth is maintained. Economic momentum is undoubtedly supported by increasing scale international demand for oil which contributes to development of infrastructure, automobile industry, railways, shipyards and not least the airline. Imports consist mainly of industrial goods, plant, machinery, automobiles and certain raw materials deficient. However, imports will help support national economic recovery by the fact that the use of efficient industrial techniques will help increase yield and production of both industrial and agricultural. To support this healthy economic growth, in 1927 the Liberal government will have to achieve monetary stability and the National Bank began revaluing the lion by its commitment not to issue currency above the ceiling reached in December



1924 because the money supply had increased more than 12 times the level prewar. Country's public debt will rise steadily reaching in 1927 to nearly 6 billion lei and that given that in 1924 Romania's budget is in surplus (although budget revenues have increased 13 times, spending will increase by 18 times the level prewar).

### **During the economic crisis (1929-1933)**

Although the economic crisis has impacted tougher overseas, however, they were felt strong enough in Europe, especially in industrialized countries. Part of the European economy with an economy industrial-agrarian Romania will support economic crisis in a somewhat original, they being felt more in economic sectors industrialized: agricultural production during the economic crisis was a pretty good one and that the export price of cereals on the international market collapsed will have a dual effect. On the one hand will help decrease state revenues and exporters, on the other hand cereals are consumed on the domestic market. In the economic crisis the state has had major problems on its external debt contracted so Liberal governments and peasant, however, the export of crude oil will be the only source of income even if its price will drop to half (production level will increase during this period to compensate for the price decrease and the amount of oil extracted obviously will increase thanks to investments made by foreign capital). The only extractive industry, will discordant note with other economic sectors which, because of the crisis will contribute to outbreaks of social unrest and strikes scale miners, railway workers and oil workers but not only. Economic and social instability will contribute greatly to political instability and therefore the uncertainty in the decision ultimately in 1933. Romania, through the National Peasant Party in government will accept the return of Carol II to the throne and the abolition regency. Romanian economy between 1929-1933 will be felt also in financial terms, the financial investments, being drastically diminished particularly in the metallurgical and steel sectors. Romania's economic potential will be seriously affected so that to cope with huge budget deficits Romania will cease payment of foreign debt and will resort to a policy of drastic decrease spending even to the temporary suspension of payment of salaries of some categories of employees.

Coping economic crisis in years 1929-1933 economic recovery was done gradually rebounding Romanian economy hard after such an ordeal, production and the exports before the crisis is reached in 1934-1934. Sustained economic growth will be recorded in all industries but once the first threats to international peace and security, countries of the world including Romania will pay more attention to endow the national army with military equipment. The years 1936 -1937 represent the years of maximum economic development both in terms of production and exports from the entire interwar period, but this growth will be halted by the outbreak in 1939 of the Second World War. Economic crisis in the next decade Romanian state contracts and economic cooperation agreements with a number of countries diversifying their economic relations significantly both in terms of exports and the imports.

This is due to Romania's participation in a number of international fairs and exhibitions such as those from Milan and Prague of 1933 or the 1937 Belgrade, Milan, Bari and Prague. Particularly fruitful conclusion in terms of trade, proved Romanian participations in international exhibitions in Japan in 1935, the Universal Exhibition in Brussels in 1937 exhibition in Berlin from 1939 and one from New York. Evoluția economică or caracterizes Europe after the economic crisis and by specific changes of social and political life that have aggravated relations between European states, democracy is inevitable slippage. Romania had to take account of these new achievements Romania you having to

refocus and economic relations. A significant impact on the evolution of Romanian economy in the period immediately before the outbreak of the Second World War will be given by the Romanian-German economic Treaty of March 23, 1939. The provisions of this Agreement will be subordinated to the Romanian State economically with all efforts that will Western countries subsequently made to lower German share on grain exports and oil. Romanian exports will correlate according to an economic needs German state which undertakes to supply military equipment to the Romanian Army. Basically, through the establishment of joint Romanian-German areas of interest, the entire Romanian economy will undergo a true German monopoly. The signing of this treaty was highly controversial at the time, pursued by the Romanian authorities to temper the claims of neighboring states to revise the borders. The Third Reich will not take into account the Romanian side's wish to safeguard western border than when after Hungary and Bulgaria claims will be met at least partially. Moreover, by signing the German-Soviet Non-Aggression Pact in the summer of 1939, the entire international public opinion will be taken by surprise. Some of the provisions of this secret pact refers to Romania, namely to change its Eastern border U.R.S.S.'s in favor of further weakening economic potential, political and military Romanian international arena. Romanian state now becomes really easy prey being extremely easy attracted by the German while the traditional allies, England and France will be unable to assist Romania.

## **Conclusion**

Coping economic crisis in the years 1929-1933 was made gradually rebounding Romanian economy hard after such an ordeal, production and the exports before the crisis is reached between 1934-1934. Sustained economic progress and development of Romania during this period will record all economic and industrial but with the appearance of the first threats to international peace and security, countries of the world including Romania will attach great importance to equipping the national army with military equipment. The years 1936 -1937 represent the years of maximum economic development both in terms of production and exports throughout the interwar period, but this growth will be hampered by the outbreak in 1939 of the Second World War. Romanian economy will be strongly affected by territorial concessions in the summer of 1940 and the outbreak of WWII. War preparations and actual participation in the conflict both before and especially after August 23, 1944 will further contribute to the weakening of the Romanian economy although the war effort places it on an honorable fourth place among countries that fought in the antifascist war. The economic costs are even more relevant considering the fact that the Romanian economy has been exhausted by Germany during both Romania fought alongside it, i.e. June 1941-august1944, the human and material losses massive suffered on the front and not only inflicted allies, the losses suffered by Germany and its allies after august 23, 1944 and not least the practical maintenance of both German and Soviet occupation army before and after turning weapons of august 23, 1944.

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**The Satisfaction Index in the Hotel Business  
Case Study: Vega Hotel by Galati**

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**Abstract:** This study focuses on customers' level of satisfaction in the hotel industry. In this case, the level of satisfaction represents an index that links customers' satisfaction with the firm's effort to offer not only effective accommodation services, but other services as well. Under these circumstances, the hotel companies emphasize customers' satisfaction, realizing that customers' perception on the quality of products and services is a decisive factor in the size of the market segment and the level of profit.

**Keywords:** customers' satisfaction; Servqual model; customers' satisfaction index.

**JEL Classification:** D11; D12; L83; P36

## **1. Introduction**

Generally, speaking about the hospitality industry, we consider a certain standard with implications on the quality of the services offered, and the clients of the hotel “hope that the hotel will be clean, comfortable, safe and secure. They expect it to be furnished with hygienic conditions, good and sanitary food and beverage at a reasonable price” (Guler & Yukselen, 2010).

Services provided by hotels nowadays are designed for efficiency which, combined with the design elements, change clients' perception. This new element, a fusion between the two dimensions, offers more than the quality provided by standards and goes up to a significant commitment of the employees, so the offered product, mixing luxury with experience, is exceptional, “a kind of unique art work”. (Michelli, 2008.)

Hotel clients are divided into two categories: those doing business and vacationers. While business clients are “very sensitive to the efficacy of the reservation systems and to the comfort offered by the available equipment” (Lupu, 2010), vacationers generally prefer “options simpler and cheaper than a hotel” (Lupu, 2010). Selecting a hotel means information, marketing actions, and, why not, choosing the same accommodation place again due to previous complete satisfaction. “Basically, there is no perfect hotel” (Lupu, 2010), but there are some advantages, sometimes even considerable ones, that the hotel will use in order to appeal to a certain segment of customers. However, there will be no hotels appealing to all categories of clients.

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Consumers would like to choose a hotel from a set of alternatives, which would provide the maximum expected value based on a set of attributes. To help achieve the above objective, the consumer can independently search for information or use a travel agent. (Trivedi, Michael & Kalpesh, 2008)

Implicitly, the hotel does not sell the basic product, accommodation, but much more than this, it will sell a commercial name, with emphasis on an identity, a success factor which will answer the question "How can we offer what people wish for?" (Diller, Shedroff & Rhea, 2006.)

The starting point for any manager of a hotel whose strategy is oriented towards the client, is represented by the client's needs and expectations.

Hotel companies which offer efficiency will automatically attract a great level of satisfaction generated by high quality and will certainly obtain some advantages compared to their rival companies.

Therefore it is very important to know the real quality level of the supplied services in order to compare it with the target value (using a quality measurement system will make possible the coordination and orientation of the developed processes to fulfill customer requirements) (Mândru, 2011).

Customer perception is the hotel manager's highest priority. In this respect, customers' perception on hotel services provided constitutes a present feed-back on customers' requirements and, in long term, on maintaining, lowering or increasing the individual level of the standards of services offered.

## **2. Theoretical Concept**

Customers' needs and requirements represent satisfaction at an adequate level of both their material and spiritual needs. Services for clients hold an essential role in this respect, since they satisfy their needs (requirements) as well as those ensuring comfort or leisure time. Therefore, services provided to clients are meant to satisfy their multiple needs.

Generally, the concept of client satisfaction induces psychological moods such as welfare, happiness and content.

An important trend in recent years has been the development of customer relationship management (CRM) systems directed towards improving customer retention and building customer loyalty (Johnson, Sivadas & Garbarino, 2008).

Customer relationship management (CRM) systems are based on a series of stages, but the most important is the one post-purchase.

The result of post-purchase assessment is a critical fact resulting in positive or negative attitudes which will lead to feelings of satisfaction or dissatisfaction. It is essential for the multitude of internal or external factors which ensure the success of the business to make the customer purchase the brand again.

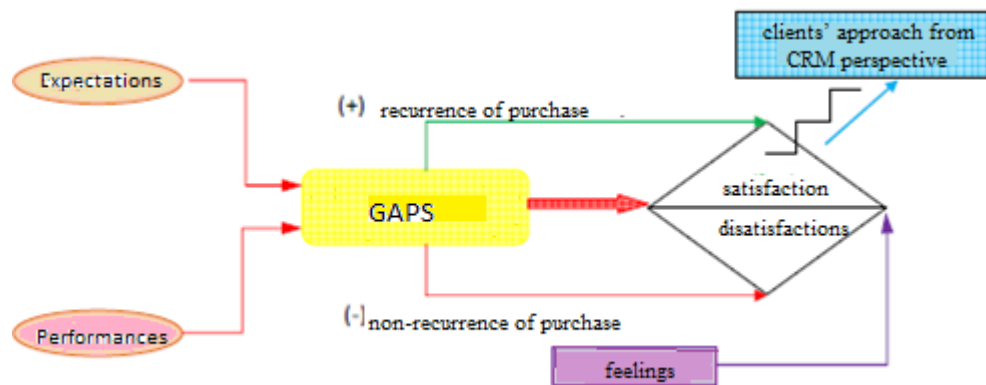


Figure 1. Satisfaction and connection from CRM perspective

There are two aspects that clients will measure irrespective of the notoriety of the brand they buy, that is:

1. an assessment process oriented towards cognitive dissonance in the case of services;
2. an assessment process on the difference between the previous beliefs and revised present convictions in the case of goods.

Leon Festinger's concept which envisages the psychological distemper due to the split between two or more conflicting ideas is found in the consumption behavior. There will be a difference, positive or negative between what we wish and what we find in reality, no matter if we talk about goods, services, activities or ideas.

"Some service marketing studies have indicated a weak effect between customer satisfaction and affective commitment for consumers" (Bansal, 2004; Bettencourt, 1997).

Competitiveness and long term profitability will be at a maximum level as long as it is done what is best for the consumer. In the hotel industry a hierarchy client satisfaction-client loyalty-business success would not surprise anybody as long as there is a correlation between client satisfaction and loyalty.

"Some people have suggested in recent times that customer satisfaction is "old hat" and that we should be concentrating on customer loyalty and "delighting the customer". (Hill, Brierley & MacDougall, 1999, pp. 3)

An overall index of customer satisfaction, often called satisfaction index, or customer satisfaction index, is the overall average of all satisfaction scores. It isn't ideal because some things are more important than others to customers, the category of social and cognitive psychology. The theory of attitudes and their attributions measurement "refers to the measurement of mental response and mental representation" (Fauconnier & Turner, 2006), but they show the most important attributes in the process of choosing the level of satisfaction. This index shows the extent to which the current level of quality corresponds to the needs of consumers. "The subject of CSI (customer satisfaction index) measurement captures, not the opinion of the respondent", (Yanova, 2015), but its attitudes are the most important in the survey.

### **3. The Case Study: The Satisfaction Index at Vega Hotel by Galati**

The study was conducted on the basis of a questionnaire consisting of 44 questions in the case of the model Servqual. Among these questions that define the different levels of the main attributes were found some having a double meaning:

1. they emphasize the level of satisfaction according to servqual model;
2. they measure the satisfaction score used in calculating the satisfaction index;

There is a separate question for the importance the tourists place on the attributes that make up the satisfaction index calculation.

The sample of 241 tourists that have accepted to answer the question in the survey is not representative, taking into account that in 2013, 6747 tourists checked in in the hotel.

#### **3.1. Hotel - General Presentation**

Hotel Vega is one of the most appreciated hotels in Galati. Set in a picturesque location on the bank of Danube, downtown Galati, Hotel Vega is built in a modern style and it offers high quality accommodation conditions in a quiet and elegant frame. It is a three-star hotel and it has a four-star restaurant. The hotel belongs to Lyra Tour S.A trading company.

#### **3.2. Research Methodology**

Assessment of tourist service quality has been implemented according to the Servqual model requirements, that is by five important features such as seriousness, readiness, tangibility, empathy and reliability. The model is implemented on an answer scale, meant to encompass both the clients' expectations and perceptions regarding the services provided.

This model means asking clients 22 questions regarding their perception, as well as 22 questions on their expectations relative to the level of quality and satisfaction. Respondents are required to assess the statements using a Likert scale with seven items. The statements represent the extent of service quality based on five groups of factors which determine clients' satisfaction.

The factors have the following meaning:

- Seriousness – represents the offer of a fair, professional service, which provides confidence;

Elements that concur to seriousness are trust, fame, and image.

- Tangibility – the physical elements that make up the service provided and the facilities offered to the customers;

Elements that concur to tangibility are material goods.

- Readiness – represents the wish to help customers and to offer the services when necessary;

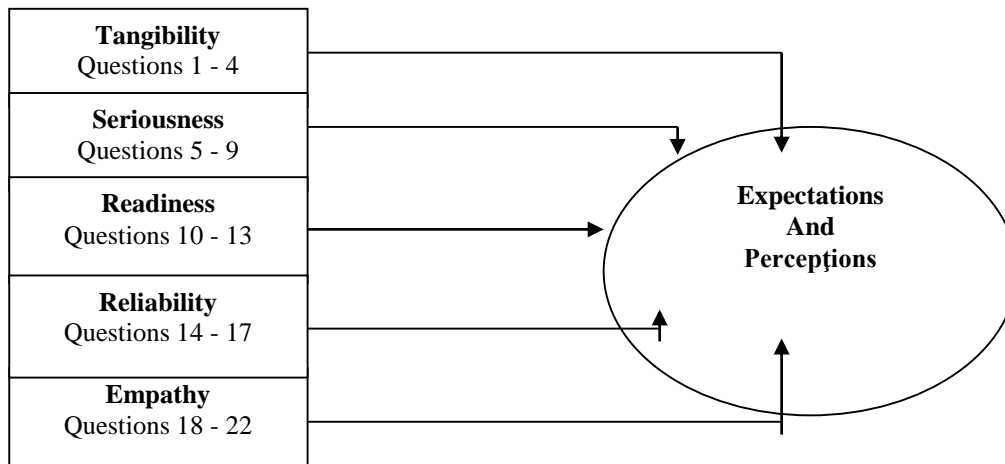
Elements that concur to readiness are staff's availability and training when providing services.

- Reliability – represents the staff's professionalism and kindness, physical safety and their ability to inculcate trust;

Elements that concur to reliability are: physical safety, financial safety and privacy.

- Empathy – represents the distinction of the services offered according to clients' requests.

Questions from 1 to 4 (4 included) define tangibility, 5-9 define seriousness, 10-13 define readiness, 14-17 define reliability and 18-22 define empathy.



**Figure 2. Main attributes considered by Servqual model**

*Source: Processed by author*

Since the importance of expectations is vital, these are influenced by a series of other essential factors, described as follows:

- **Personal needs:** any client benefiting by a service will firstly turn to their personal needs which are expected to be fulfilled by the service provided. Since these needs are different according to each client and service, it is mandatory to clearly understand them in order to create an appropriate service;
- **Previous experience:** it is an important factor since most customers used services in the past. Therefore, previous experience influences at a certain extent future expectations regarding the service, including previous experience not only with that service, but also with other types of services. When it comes to accommodation services, expectations are influenced by the experience with similar services, but provided by another hotel;
- **Oral communication:** in this case, expectations are shaped according to informal talks with friends, family members and workmates, but they can also be shaped by the media or other organizations such as the audit agencies;
- **Explicit communication regarding services:** made up of staff statements but also advertising through brochures or other advertising materials. This type of communication has a direct and well-defined impact on hotel clients' expectations;
- **Implicit communication regarding services:** it alludes to certain factors, such as the hotel's appearance. An example in the accommodation services can be the refurbishing which can make the beneficiary or the client expect other aspects of the services offered in the same hotel to be of high-quality.

These previously stated factors hold an essential role in the client's thinking process which is different for each individual. Therefore, calculating the general level of satisfaction means calculating the satisfaction index. The attributes it relates to occupy different levels when establishing the hierarchy and some are more important than others.



Virtually, calculating the satisfaction index firstly means to find out the level of importance for each attribute considered, then each score obtained for each attribute to be multiplied with the level of importance.

In the first stage of the study through the Servqual model we can find out the satisfaction levels for the 5 attributes. The difference between perceptions and expectations indicates the satisfaction level. (see the results in table 1).

The results in Table 1 can be classified into two categories, as follows:

- “high” if the level of the expected/received service is above the average;
- “low”, if the level of importance is below this average.

Respectively, these also allow not only a classification of the service, but also a hierarchy of the satisfaction level between expected and received service.

**Table 1. Classifying and grading services**

Atributte		Level of expected service NSa	Level of received service NSp	Difference (NSp – NSa)	Interpreting the degree of importance IP>IPmed. IP<Ipmed	Interpreting Servqual
S e	S1	3,67	4,33	-	The level of expected service seriousness corresponds with the average. The received service is above average.	Expectations correspond with the level of received service.
	S2	3,18	5,81	-		
	S3	3,46	5,53	-		
	S4	2,88	5,11	-		
	S5	2,86	6,13	-		
	$\overline{Se}$	3,21	5,38	2,17		
T	T1	2,96	5,04	-	The level of service tangibility is above average, and expectations are above average.	Staff training and endowment is at the level expected by the client.
	T2	4,55	5,45	-		
	T3	2,67	4,63	-		
	T4	4,90	5,1	-		
	$\overline{T}$	3,77	5,05	1,28		
P	P1	2,55	3,44	-	The level of service readiness is a little above the average.	Readiness level must be raised, but it can also be maintained.
	P2	4,95	5,05	-		
	P3	2,88	2,04	-		
	P4	3,93	6,07	-		
	$\overline{P}$	3,57	4,15	0,58		
Si	S1	2,81	1,82	-	Reliability is considerably below average and below the level of expected service.	In this case, it is necessary to maintain the reliability standard.
	S2	2,28	1,72	-		
	S3	2,96	3,03	-		
	S4	2,19	2,80	-		
	$\overline{Si}$	2,56	2,34	- 0,22		
E	E1	6,92	6,07	-	The level of attention granted to clients for both services is above average,	The level of attention granted to clients needs to be raised in
	E2	4,86	5,13	-		
	E3	3,91	3,82	-		

	E4	5,38	4,62	-	and the level of the difference is, paradoxically, negative – considerably below average.	order to make the difference positive.
	E5	2,55	2,50	-		
	$\overline{E}$	4,72	4,42	- 0,30		
Average		$\overline{Nsa}$	$\overline{Nsp}$	$\overline{Md}$	Generally, the average of the difference is positive, even when it has been determined that the level of empathy offered to clients is only a standard, not real. A negative difference can also be observed, just as in the case of reliability level with the two indicators, S1, S2, reliability suggested by staff behavior and implementing environmentally-friendly policies. Therefore, correlating reliability with empathy, we can draw the conclusion that staff behavior towards clients is not in accordance with the hotel policy.	
		3,56	4,26	+ 0,70		

Source: Processed by author

For the second part of the study, which will rate the level of the satisfaction index, we have considered the following attributes:

1. location – according to N. Lupu “the degree of occupancy of the future hotel, as well as the type of clients, will mostly depend on its location” (Lupu, 2010, pp. 397) or according to Conrad Hilton<sup>1</sup> “location, location, location”;
2. room layout – price of the hotel room also depends on the floor, view, area, or furniture;
3. level of price – accommodation price is renting the hotel room for one day;
4. service quality – we will consider the difference between received and expected service from the Servqual analysis;
5. check-in/out – aims at a flexible schedule, offering help with the luggage, monitoring the waiting time for the customers;
6. front - office helpfulness – although the front office is sometimes seen as being the forefront of the hotel activity, it controls more than the activities taking place there. Irrespective of its size, the front desk must be organized in order to manage key tasks and responsibility fields;
7. parking – there is a great disadvantage for the hotels having no parking or insufficient parking space for the number of clients;
8. staff appearance/ behavior – “the relationship with the client gives substance to the “emotional quality” (Lupu, 2010, pp. 147) which can not be neglected. In fact, the first impression does matter.

The importance scores are used to calculate the weighing factors. In table 2 the first column of data shows the average importance score from the hotel survey. The Likert scale was standardized on the 7th step, while the 4th step means neither satisfied nor dissatisfied.

At first we will calculate the levels of importance tourists place on each of the above-mentioned attributes, thus obtaining the data in Table 2.

<sup>1</sup> Conrad Nicholson Hilton (December 25, 1887 – January 3, 1979) was an American hotelier and the founder of the [Hilton Hotels](#) chain.

**Table 2. Calculating the weighing factors**

Attribute	Importance scores	Weighting factors
Location	6,4	15,49
Room layout	6,2	15,01
Level of price	6,1	14,76
Service quality	0,70	1,69
Check-in/out	5,5	13,31
Front - office helpfulness	5,8	14,04
Parking	4	9,68
Staff appearance/ behavior	6,6	15,98
TOTAL	41,3	100%

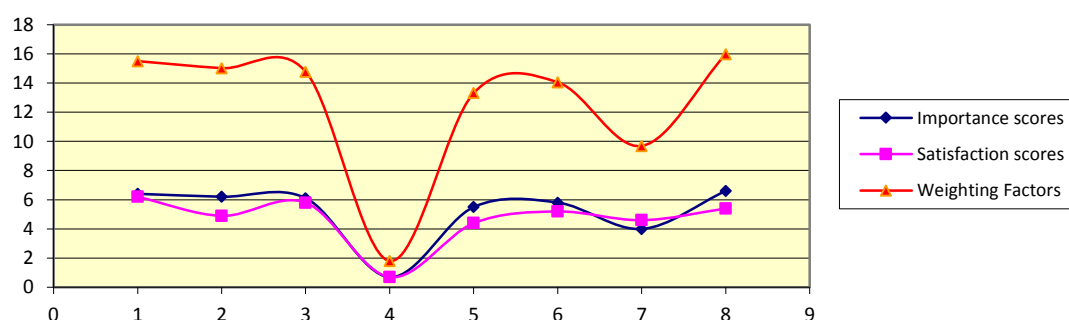
During the second stage, we take into account the satisfaction levels tourists place on the attributes considered. In this respect, see Table 3.

**Table 3. Calculating the satisfaction index**

Attribute	Satisfaction scores	Weighting Factors	Weighted Scores
Location l	6,2	15,49	9,603
Room layout	4,9	15,01	7,354
Level of price	5,8	14,76	8,560
Service quality	0,70	1,69	1,183
Check-in/out	4,4	13,31	5,856
Front - office helpfulness	5,2	14,04	7,300
Parking	4,6	9,68	4,452
Staff appearance/ behavior	5,4	15,98	8,629
TOTAL	37,3	100%	53,177

In this case we obtain a satisfaction level index of 53,177%.

The obtained level of satisfaction is above average for the hotel business as it is wished that clients' opinions and attitudes match expectations, which leads towards competitiveness and long term profitability. We can conclude that the obtained level of satisfaction is in correlation with the considered attributes, while the Scatter chart, which offers information on Correlation, Homogeneity and presented and analyzed data symmetry, shows a direct correlation.



**Chart 1. Level of satisfaction is in correlation with the considered attributes.**

For a positive satisfaction level identified by the 5 dimensions of the Sevqual model, we can notice that the differences between clients' perceptions and expectations do not all have negative values. This result indicates that for the hotel some attributes such as reliability and empathy are not in conformity

with clients' requirements. Clients view the reliability level as being too low while being prone to risks, and not all services are offered for individuals, for each client, but for collectivity. The study needs to be repeated at regular periods of time in order to see the desired level of quality.

#### **4. Conclusions**

The results of the study can be found only in three dimensions of the Sevqual study, that is tangibility, seriousness and readiness. For empathy and reliability the management must adopt other strategies to meet the clients' needs.

The basis is the assessment of the service from a previous experience, even if many aspects have been changed. Perceptions are already formed and a change for the better is going to be difficult to achieve.

The study efficacy is focused on the level of satisfaction index, which, by the measured level, shows that it is generally correlated with clients' expectations.

The main issue is that theoretically, the practice of following some standards does not offer the desired level since there is no implication from the members of the organization. On the other hand, the level of quality for the services provided, as well as the level of satisfaction represent a sum of each satisfied or dissatisfied client.

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THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
**EUROPEAN INTEGRATION  
REALITIES AND PERSPECTIVES**

**Premises of the Religious Cultural Tourism Development in the Galati –  
Braila Urban Perimeter**

**Anca Turtureanu<sup>1</sup>, Mihaela Diaconu (Istrate)<sup>2</sup>**

**Abstract:** The authors aim at analyzing the possibilities of urban tourism development. In the urban areas Galati – Braila it begins to require cultural tourism. Religious tourism, as being the oldest manifestation of cultural tourism finds its resources in this area. The difference between this form of tourism and others is just the religious motivation of tourists. The forms of religious tourism are diverse, but it prevails in the area visiting the holy places. The two urban centers, Galati and Braila offers besides traditional cultural tourism resources, the promenade - Danube promenade trails, opportunities for health care, Lacul Sarat or recognized places of worship such as monasteries and Salt Lake subdued in the Archdiocese of Lower Danube.

**Keywords:** urban tourism; culture; religion; tourist traffic

**Introduction**

Located at the east central part of Romania, at the confluence of the Danube and Prut and Siret rivers, Galati County has an area of 4466 km<sup>2</sup>, which represents 1.9% of the country's surface. An area of confluence between Covurlui Plateau at the North (50% of the county's surface), the Tecuci and Covurlui plains (34%) and Lower Siret and Prut's floodplain in the south (16%), Galați County represents a unitary structure from the physical and geographical point of view. Galati city on 1 January 2016 had a population of 304 340 inhabitants.

Braila County is located in the east of the country, in the fluvial-lacustrine Romanian Plain. By its surface of 4765.8 square kilometers, it represents 2% of the country. Braila municipality on 1 January 2016 had a population of 210 602 inhabitants.

**I. The Tourist Circulation in the Galati - Braila Urban Perimeter**

The tourist circulation has been analyzed in terms of four indicators, over a period of 10 years.

Although Galati city's population has higher value with approximately 100,000 inhabitants, the following recorded indicators have comparable values.

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Table 1. Indicators of tourist circulation

	Tourist accommodation structures / UM: Number		Tourist accommodation capacity / UM: no of places		Arrivals of tourists in accommodation structures / UM: Persons		Overnight stays in reception / UM: Number	
	BRAILA	GALATI	BRAILA	GALATI	BRAILA	GALATI	BRAILA	GALATI
2005	19	19	1749	1449	57659	57508	248040	105968
2006	20	19	1809	1452	58024	61546	247580	117407
2007	20	19	1894	1452	59457	65576	293980	130359
2008	20	19	1871	1452	61379	57242	289334	141391
2009	19	19	1839	1452	45671	44130	199088	98886
2010	20	19	1836	1452	48476	32236	181086	75001
2011	24	27	2020	1386	61490	46843	224535	97708
2012	26	24	2090	1324	58098	55783	213092	100624
2013	28	24	2160	1308	53154	63521	193241	124334
2014	29	26	2185	1541	52194	60333	184834	113469

Source: <http://statistici.insse.ro/shop/>

Tourist accommodation structures

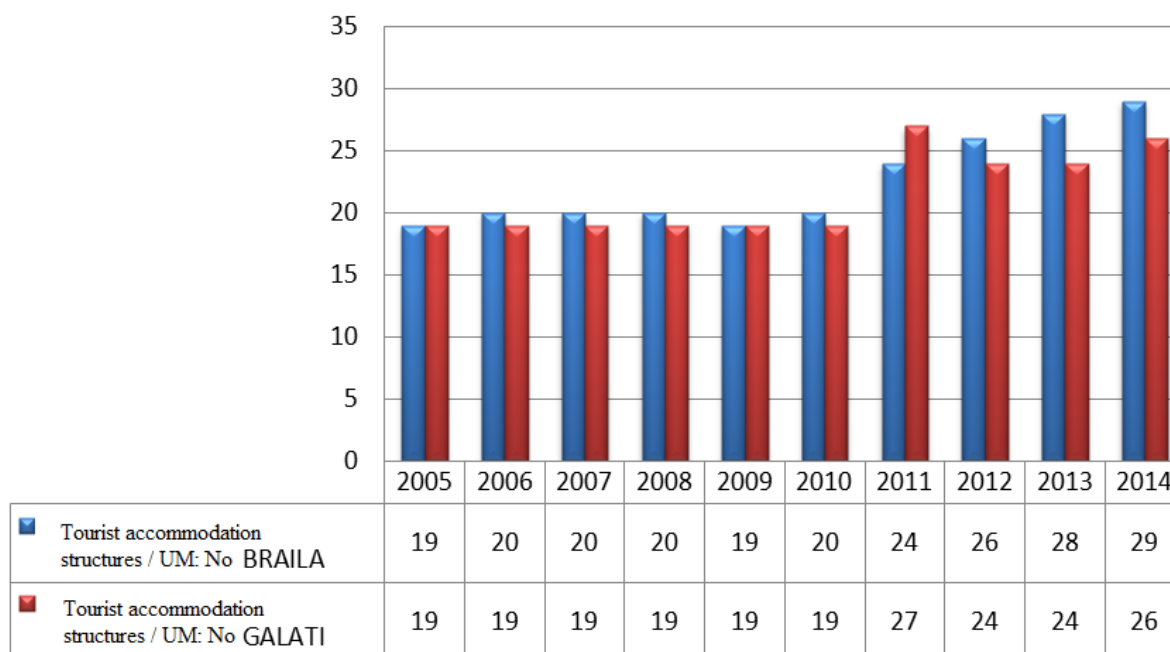
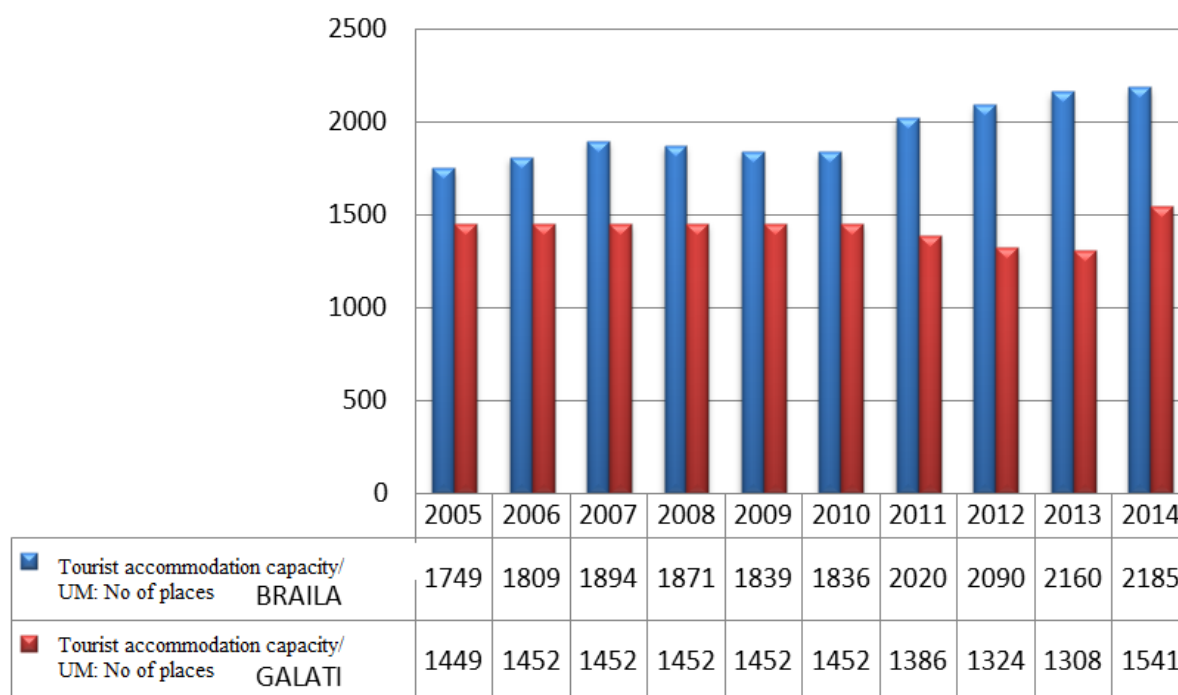


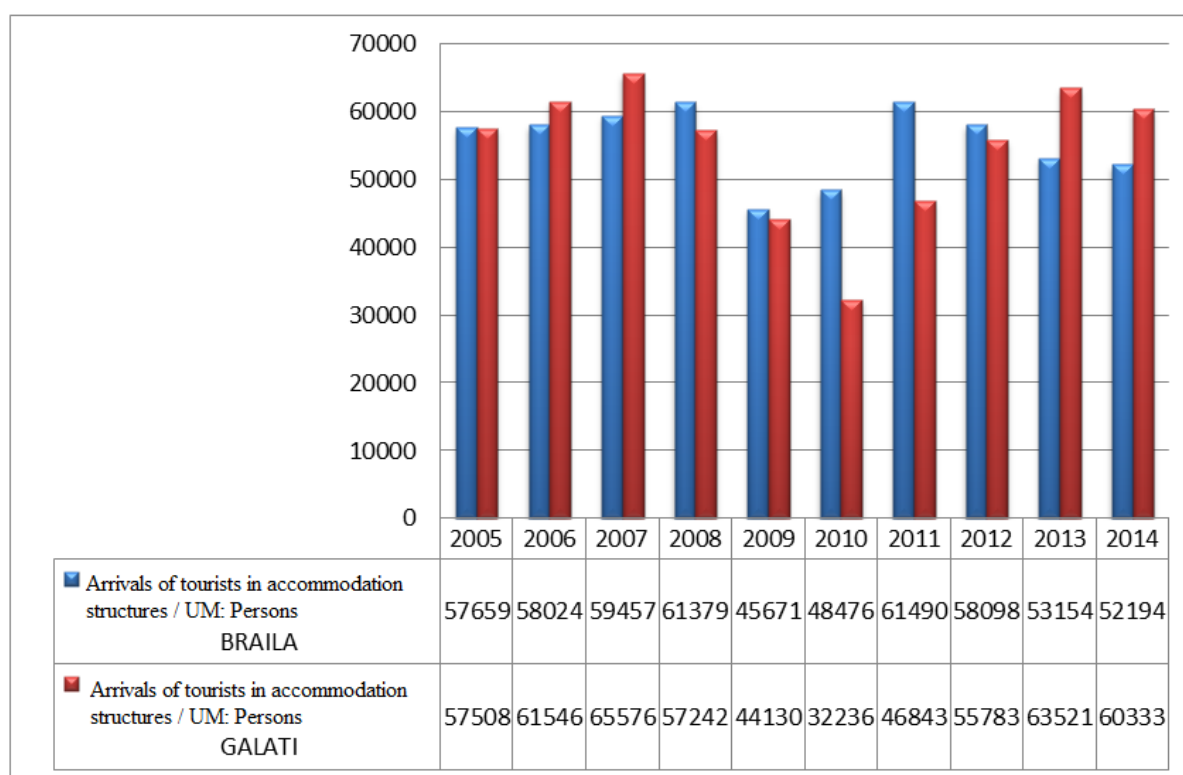
Figure 1. Tourist accommodation structures

The tourist accommodation structures / UM: it can be seen that although in 2005 both urban centers enjoyed 19 accommodation units, after ten years Braila city's accommodation capacity has increased by approximately 50% and by 36% in Galati City.



**Figure 2. Tourist accommodation capacity**

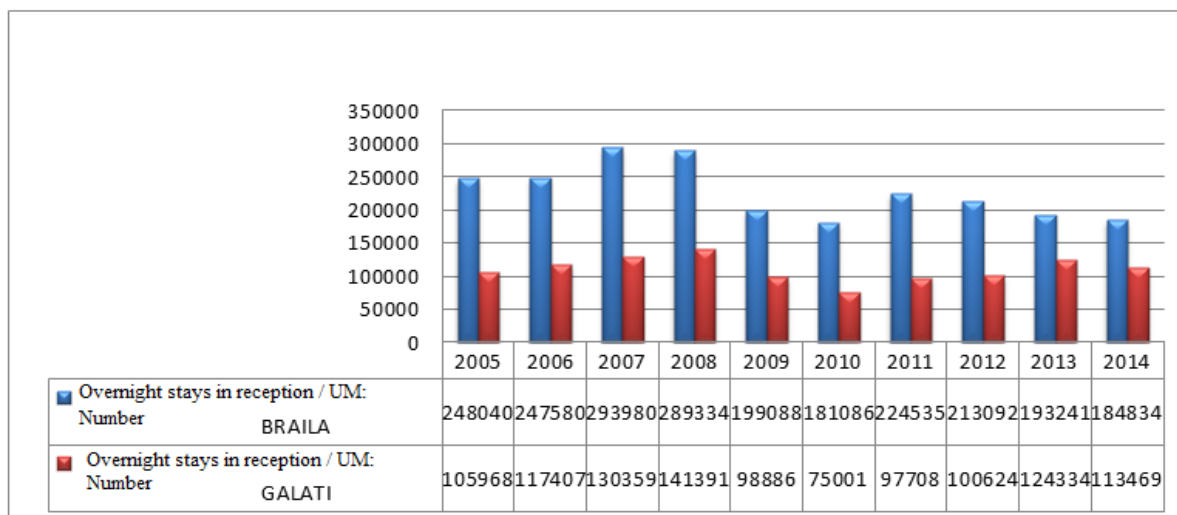
Tourist accommodation capacity during the 10 years increased by about 24% in Braila and with only 6% in the case of Galati after decreasing for three years.



**Figure 3. Arrivals of tourists in accommodation structures**



Tourists' arrivals in the two examples has highlighted that in the 10 years analyzed, although they started in almost equal amounts in 2005 Galati receives more tourists. It can be explained by traveling motivation. Braila receives in Lacu Sarat resort tourists who come for therapeutic purposes and Galati more developed economically, register tourists who come on business.



**Figure 4. Overnight stays in reception**

The indicator values “overnight stays in tourist accommodation” confirm the aforesaid. The number of overnight stays in Braila is consistently higher throughout the analyzed period because most tourists are interested in spa treatments in the resort Lacul Sarat.

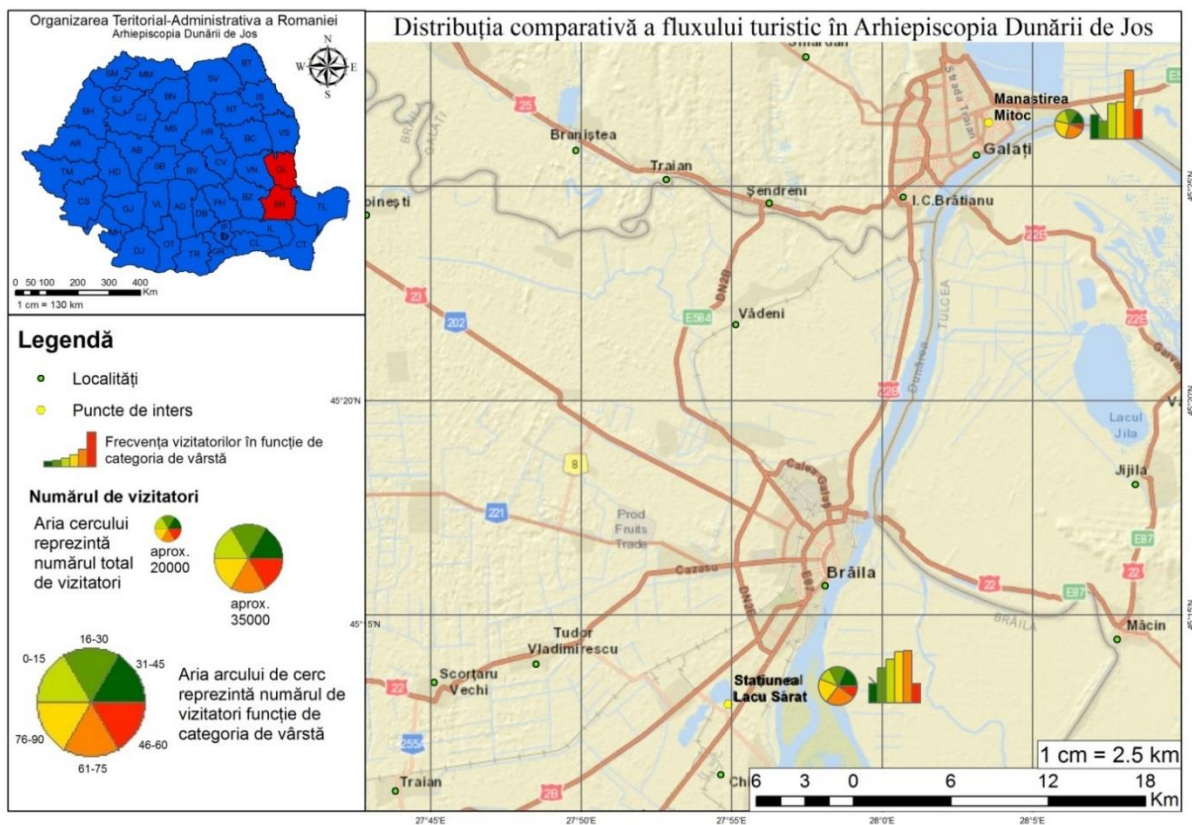
**The Analysis of Tourist Flows in the Archdiocese of Dunarea de Jos, Metoc Monastery (Galati) and Lacu Sarat Monastery (Braila)**

Galati is positioned in the center of Metoc Monastery, at approximately 4 m of Secondary School Nr. 24, built on the territory of the monastery 184 years ago, and the Lacu Sarat Monastery is at 5Km South-West of the city of Braila Municipality, the Contact is made with a permanent tram line. Lacu Sarat Monastery is built entirely of wood in Lacu Sarat Resort, an important spiritual and missionary center, which numerous pilgrims found from all over the country.

The comparative analysis distribution of tourist flow in the Archdiocese of Dunarea de Jos is illustrated in the figure below.

Territorial-administrative Organization of Romania

Archdiocese of Dunarea de Jos



As map "Comparative distribution of tourist flow in the lower Danube "Archdiocese achieved can be seen that the monastery has subdued a lower total visitors (22 766 persons) than the number of visitors from Salt Lake monastery, which is higher (30 551 persons) Aces of the location place of worship in a famous spa, complete with accommodation for seniors who like these form of religious tourism.

Looking at the number of visitors depending on age groups can be observed the following:

- In the age group 0-15 years in the monastery Metoc are more visitors compared monastery Sarat Lake because it is in the city of Galati where baptized and together with godparents edge should follow the rite of Communion.
- In the age group 16- 30 years at the monastery Metoc are more visitors compared monastery subdued because Sarat Lake is 2 m Șc.Gimn 24 where students are directed to an active religious life (the same church of St. arch. Michael and Gabriel).
- In the age group 31- 45 years at Salt Lake monastery are more visitors compared to the monastery subdued because this age group has a higher mobility due to a driving license which facilitates the movement of the 34 km distance between Galati and Salt Lake.
- In the age group 46-60 years in the monastery of Salt Lake are more visitors compared to subdued due monastery located inside pilgrimage to Saint climatic health resort where they are treated for rheumatism especially seniors.
- In the age group 61-75 years the number of visitors is fairly similar between the two monasteries due to old age, being hampered transportation to ecclesiastical establishments.
- In the age group 76-90 years the number of visitors is fairly similar between the two monasteries due to the proximity of local and monasteries all seasons and age calls for religious services.

As regards the frequency of visitors in the two sights taken notice fluctuations in the number of pilgrims analysis by age as follows:

- In the age group 0-15 years the frequency of visitors to the monastery subdued monastery is higher than Salt Lake
- In the age group 16-30 years visitors to the monastery Salt Lake frequency is higher than the monastery subdued, because in the summer resort of the same name there is a school camp where young people meditate in the monastery.
- In the age group 31-60 years the frequency of visitors to both monasteries is substantially the same as young people choose to officiate at religious ceremony in one of the monasteries units positioned near the service desk. (Ex. Hotel Galati).
- In the age group 61-75 years the frequency of visitors to the monastery Metoc is greater than the Salt Lake monastery as monks monastery is positioned in the old center of Galati where the population is predominantly elderly category, religious practitioners.
- In the age group 76-90 years the frequency of visitors to the monastery subdued monastery is higher than Salt Lake.

## **Conclusion**

Urban tourism is attracting more tourists. Galati-Braila area still has untapped tourism resources considered to generate new forms of tourism: hunting, cultural tourism, traveling, tourism, congress tourism and travel “green” or eco-tourism and religious tourism.

Monuments and religious architecture abound in the bill.

It is necessary to protect and promote these objectives as better maintenance of their restorations of buildings and setting specific museums

In terms of tourism in the area can say that this is not fully exploited, imposing measures for better promotion of leaflets, documentaries, travel guides, tourist routes etc. But also by upgrading the overall infrastructure and tourism material and technical base.

The possibilities and directions of exploiting tourism potential are many, this being achieved through the integration of tourism resources in the tourism and untapped promoting new forms of tourism.

Development proposals can be made on two main coordinates, namely: Development of infrastructure on the one hand, and the diversification of tourism products and services on the other.

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THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
**EUROPEAN INTEGRATION  
REALITIES AND PERSPECTIVES**

## **Corporate Governance - Enterprise Performance Assessment Tool**

**Nicoleta Constandache<sup>1</sup>, Carmen-Mihaela Crețu<sup>2</sup>, Gheorghe Chiru<sup>3</sup>**

**Abstract:** Within an enterprise, whether public or private, there are interests between managers and partners: shareholders, creditors, employees, suppliers, customers etc. It is imperative that these interests be harmonized because the company's performance is significantly influenced by the form of corporate governance. Performance and sustainable growth in the long term are essential attributes of corporate governance, which depend on concern of companies on social responsibility towards the environment, satisfaction of shareholders, customer satisfaction, ensuring good working conditions for employees, concerns which must be incorporated into processes of decision making. In this study, the purpose of research is to analyze corporate governance issues and objectives involved to provide an overview of the positive effects generated by the implementation of its principles.

**Keywords:** corporate governance; corporate governance principles; enterprise performance; shareholder; stakeholder; transparency.

**JEL Classification:** G30; M41

### **1. Introduction**

Starting from expression that the company's financial performance is incomplete if it does not take into account the risk taken to achieve such performance (Buglea, 2005, p. 282) there is another way of management - the governance, which monitors and assesses the performance, satisfy stakeholders and creates added value helping to maximize enterprise value. Consequently, only after studying the field of corporate governance we can address the true value of risk management and internal audit, ensuring performance and accountability.

Corporate governance mechanisms are relevant for large economic entities, where there is a separation between ownership on the stakeholders and the effective administration of the business. Joint stock companies represent specific form of legal organization of this type of arrangement. Typically, these are listed on organized markets like stock exchanges. For small economic entities in which the investor or a small number of investors are directly involved in company management, corporate governance is relevant only in certain aspects, such as relations with employees, creditors. (Sitaru, 2009, p. 206).

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This performance assessment tool has attracted our attention during the research and we consider that is an area of wide interest currently. Given that the company which we intend to analyze is a company whose securities are traded on a regulated market, as required by law, it is mandatory annual reporting of information on corporate governance, information on enterprise business performance, financial position, internal control and the governance code which it applies and which must contain: corporate governance practices, explanations of principles of the code, which does not apply and the reasons were not applied, risk management systems, the duties of the General Meeting of Shareholders, shareholders' rights, the structure of the administrative, management and supervisory bodies.

## **2. Literature Review**

### **2.1. Definition**

In literature, the term “corporate governance” takes over a terminology consecrated worldwide to denote a well-defined problematic area, related to conducting large companies in the interest and under the control of shareholders and respecting the rights of other parties holding interests in company. This problematic area is slightly different from the one designated by terms such as “corporate governance” or “management” (Corporate governance in Romania - OECD 2001, p. 16).

Corporate governance can be defined by some perspectives:

- *Investors' perspective* - is considering the ways that investors ensure that they will receive the expected benefits by making an investment in the enterprise;
- *Perspective of business relations with third parties* - can be defined as the ensemble of relationships with its shareholders, on the one hand and society as a whole, on the other hand (employees, government, regulatory bodies and other groups interested in the management of business enterprise);
- *Perspective of rights and responsibilities within the company* – distributed for those categories involved in decision-making (Board of Directors, Executive Management, shareholders and other categories), such as: promoting fairness, transparency and accountability at the enterprise level;
- *Perspective of law sources* - Corporate governance is a set of rules under which companies are directed and controlled, it is the result of rules, traditions and behavioral models developed by each legal system;
- *Science perspective* - Corporate governance is branch of economics studying the efficiency of some documents such as Articles of Incorporation, organizational chart, internal rules and legislative framework, without limitation just how managers are paid by shareholders for generate dividends as a result of investments.

Currently, the concept is used to describe the act of governing, the manner to endorse, manage, both at the state level, global bodies and businesses (Paşcu, 2011, p. 587). At the enterprise level, corporate governance examines the organization of power and distribution of responsibilities between shareholders, directors and managers. Contemporary economic activities are dominated by the internationalization of markets. This causes severe direct competition, which requires companies to innovate constantly and to restructure. The rhythm of change and adaptation to this rhythm has become the key the performance and survival of these entities. The stake is increasing the response

capacity and reactivity of enterprises to essential characteristics: time, quality, quantity and costs. (Roman, Roman, & Boghiu, 2012, p. 117).

## 2.2. Classical Models of Corporate Governance

In corporate governance system can be found following interested factors: shareholders, directors, managers, employees, creditors, suppliers, customers, government and the community. Depending on these factors, the system of government knows more models of governance.

According to research in the field, we identified two models of corporate governance: *shareholder model* and *stakeholder model*. While the shareholder model aims to maximize value for shareholders, stakeholder model is interested in maximizing value for all parties involved in the life of the company (shareholders, managers, employees, trading partners and so on) (Feleagă, Feleagă, Dragomir, & Bigioi, 2011, p. 7).

In international practice there are three main models of corporate governance generally accepted, namely: the Anglo-Saxon model, Continental-European model and Japanese model. A comparison of these patterns is shown in Table 1:

**Table 1. Comparative analysis of corporate governance models**

	<b>Anglo-Saxon Model</b>	<b>Continental-European Model</b>	<b>Japanese Model</b>
<b>Main financier</b>	Exchange market	Banking market	Banking market
<b>Ownership right</b>	Based on the ownership of shareholders	Based on the ownership of shareholders and the relationship between employees and company	Based on the interests of the parties (stakeholders), mainly keiretsu (a type of grouping several firms)
<b>Shareholder structure</b>	Dispensed	Concentrated	Concentrated (cross-holding of shares)
<b>Council composition</b>	Unitary system of governance: <ul style="list-style-type: none"> <li>• Executive managers</li> <li>• Non-executive managers</li> </ul>	Dual governance system: Execution Board - in charge for company management Board of Directors - in charge for supervision of the Execution Board	Board of Directors includes representatives of stakeholders and Censors Commission
<b>Control mechanisms</b>	Extern	Intern	Intern
<b>Accounting system</b>	Generally Accepted Accounting Standards (GAAP)	International Financial Reporting Standards (IFRS)	GAAP and IFRS

*Source: Cuc, S. & Tripa, S., 2006, p. 437.*

**I. The Anglo-Saxon Corporate Governance Model or the Shareholder Model** is based on dominance of shareholders, the only interested parties to whom managers have an obligation to respond. They act as administrators of money because their predominant interest is the enrichment.

The management of company is provided by a unitary Board of Directors, without differentiating between non-executive and executive positions, since all board members are responsible for all legal actions of the company. These members have the obligation to defend the interests of shareholders.

The model shows a negative side in terms of excessive interest on profitability without taking into account the implementation of long-term development strategies, but also a positive side in terms of making investments from inefficient domains in efficiency domains.

Among the proposals on the improvement of this system is increasing the number of shares held by institutional investors at the expense of speculative investors by encouraging long-term relationship between investors and the company.

The UK has the largest number of corporate governance codes, about one third of all codes issued by EU member countries, and accepted the international codes and also pan European codes.

In the early 90s, in the US there were many laws for listed companies, as well as Sarbanes-Oxley Law, which contain detailed rules for the proper management of the companies.

**US corporate governance model** is based on dominance of independent persons and individual shareholders that are unrelated by the corporation through business relationships (“outsiders”). The social capital is dispersed to a lot of shareholders who are mainly interested in dividends. Shareholders are “aggressive and revolutionaries” in the sense of acceleration the implementation of effective policies, being prone to fast reorganization of unprofitable divisions and financing for new profitable activities

The first corporate governance code was *The Cadbury Code* (1992) containing rules on the organization and management of an enterprise to achieve maximize efficiency and transparency to shareholders, but penalties are not provided for them. The reports series begun by Sir Adrian Cadbury in 1992, admitted the need for the establishment of audit committees, the widespread use of executive directors independent (non-executive directors) *who have managerial responsibility within the enterprise*. (Ghiță, Popescu & Croitoru, 2009, p. 23).

*Paul Ruttman Report* (1993) comes with something extra, namely considers that any listed company must report on the internal financial control.

*Nolan Code* (1994) works on the principle of corporate ethics, based on altruism, integrity, objectivity, accountability, fairness, honesty and conduct of persons working in the public system.

*Richard Greenbury Report* (1995) is notable for transparency, regarding directors' remuneration based on the performance achieved.

Also in 1995 it elaborated *Hampel Report* concerning the implementation of internal audit and annual verification by company directors.

*Combined Code* (1998) is basically a combination of the previous codes. This code works on the principle of transparency “comply or explain”, in this sense forcing companies to justify any deviation from corporate governance codes.

*The guide of Combined Code for directors*, known as *Nigel Turnbull Report* (1999) focuses on risk assessment, an important step in making a good system of internal control, based on the model of Internal Control - Integrated Framework (COSO) developed in 1992 by The Committee of Sponsoring Organizations of the Treadway Commission and improved in 2004 by the Enterprise Risk Management – Integrated Framework (COSO-ERM). The second model COSO ERM adds besides the five components of the COSO Report 1992 other components, such as: internal environment, setting goals, identifying events, risk assessment, response to risk, control activity, information and communication, and monitoring.



In the period 2001-2002 was adopted a law project *Sarbanes Oxley* in the US differently from the principles and rules adopted in the UK, about the principle of “comply or explain”, which provided severe sanctions for false declaration of financial information. Currently, this law sets limits for new rules issued by the Committee of Transferable Financial Instruments and Securities - SEC (Ghiță, 2008, p. 41), concerning information about governance, risk management and internal audit. Some American companies have decided to use the UK Combined Code, using the COSO-ERM model, which is a legislative framework based on internal control.

In 2003 the UK develop a *revised Combined Code* by adopting a set of principles and clauses tougher to implement corporate governance.

In the US, for listed companies from most sectors, the reporting must also include an *annual Statement of internal audit*. Based on this declaration, the trustees are sure that through the control system implemented the company is managed effectively, the risks are monitored and are secured growth conditions of company, which requires an *integrated System of Internal Control* and is the target for the *Corporate Governance System*. (Ghiță, Popescu, & Croitoru, 2009, p. 69).

*The most reports and codes were issued in the UK, which has the greatest contribution today in the development of corporate governance.*

**II. The Continental-European corporate governance model** has a starting point, namely *The Cadbury Code*. A significant number of European countries have revised over time the codes of corporate governance in line with European Commission regulations, paying particular attention to how it is ensured corporate governance, especially in view of the consequences of the current economic crisis, which has strongly marked the confidence of investors about the how businesses in which they invest are managed efficiently and in the interests of shareholders and investors (Boța-Avram, & Mătiș, 2011, p. 19).

In France, appears in 1995 the *Report Vienot I* containing recommendations on the Boards of Directors of listed companies in France, followed in 1999 by the *Report Vienot II* containing Recommendations of the Committee on corporate governance, and the last revision was made in 2011.

In 1999, the Organisation for Economic Co-operation and Development (OECD) publishes the *Corporate Governance Principles*, revised edition in 2004, principles recognized by the Financial Stability Forum. OECD and the World Bank and International Monetary Fund develop a set of 12 basic standards which have been a reference point for making a large number of national codes on corporate governance (White paper on Corporate Governance in South East Europe, 2003). Countries such as Denmark, Germany, Ireland, Italy, Latvia, United Kingdom, Portugal, Sweden were concerned themselves with reviewing corporate governance codes required by the business environment.

Another milestone in the evolution of corporate governance codes is 2002 when the European Commission claims not to need a European governance code, but an application of the principles of Sarbanes-Oxley Law.

In 2011, the European Commission is drafting the *Green Paper*, which aims to assess the effectiveness of the corporate governance framework of the European Union for European companies, in which corporate governance and corporate social responsibility are keys to building public confidence in the single market (Green Paper - The UE corporate governance framework, 2011). According to the *Green Paper*, the three central issues to good governance are: Board of Directors, the shareholders and the principle of “comply or explain”.

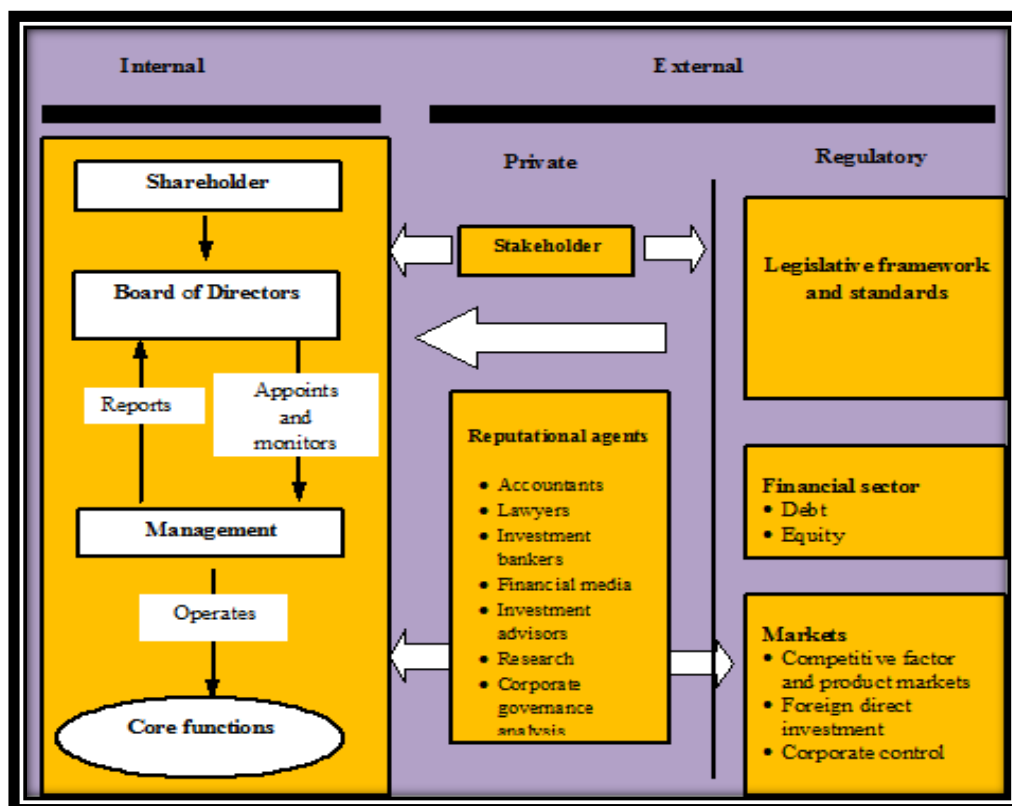
In Europe, policies and legislation take into account not only the interests of shareholders, but also other categories of interest groups, namely: employees, creditors, local community and civic organizations (Ghiță, Popescu & Croitoru, 2009, p. 14).

**The Continental-European corporate governance model (German)** is a model oriented towards banking market because banks are involved in corporate governance, through which the investments are financed. The German model is a model based on dual governance system led by two councils. Unlike the Anglo-Saxon model, the German model has a clear separation between the executive posts and non-executive posts, so the Board of Directors (Council of execution) is a deciding factor, enjoying the freedom to lead their company, but accountable to the supervisory board (Administrative Board) of how to use this authority. Board of Directors duties are set by the Administrative Board. There is also the possibility that employee representatives may be elected to the Board of Directors.

Not in all European countries there are two councils, for example, Sweden adopts single system, dual system operates in the Netherlands and Italy, because most large companies are family businesses, adopt single council model.

Also this model has advantages and disadvantages. The advantage of this model is the orientation of shareholders towards long-term strategies which strengthens business stability, and the disadvantage is rigidity about the stagnation of some inefficient sectors of the business.

Manner of implementation of concept of corporate governance is captured in *Figure 1*. This diagram illustrates the internal and external mechanisms which make up the efficient framework of corporate governance adopted by the World Bank.



**Figure 1. The scheme of an effective system of corporate governance**

Source: (Shkolnikov, & Wilson, 2009, p. 17)

The traditional structure of corporate governance shown in the left side of Figure 1 deals with conventional issues: relationship between shareholders, between shareholders and Board of Directors, the relationship between council and managers, procedures on board composition, operational management etc. All these different parts important by their nature constitute the internal function - management of the company.

Corporate governance ensures to administrators the existence of the necessary tools to ensure efficiency, accountability and healthy decisions. Reporting requirements need improved accounting procedures and internal control systems, which, in turn, provide managers and shareholders the tools they need to control income and expenditure. By increasing transparency, quality and regularity of financial reporting, managers can become more responsible for their decisions and performance. Weak performance or activities that redirect resources towards activities unprofitable can be quickly identified and fixed.

Corporate governance is emerging as a solution to the delimitation of relations between managers and shareholders, because the interests of both parties are often different, shareholders seeking profits and high dividends and strict control over the managers decisions, while managers want a higher power for a decision and negotiation, salary and other financial benefits (Tabără, & Ungureanu, 2011, p. 39).

Increased accountability of managers, highlighted by the remuneration and their loyalty, points to a series of strategic decisions that affect both performance and risk assumed. These remunerations reveal an increased interest in the decision-making process, exerting a positive influence on activities in enterprises. Thus, in recent years, it can be seen how markets, shareholders and regulatory authorities have a strong interest in control instruments on the corporative performance, reinforcing the need for specialized management and institutions that ensure managers existence of a type of training and information in support the opportunities in relational process.

For developing countries, very important is the right side of figure, which captures the external mechanisms that help to completion of the corporate governance framework. Broadly, both the private and public sectors make up the institutional framework for implementation of corporate governance.

Regulation and implementation of corporate governance is based on the main characteristics: transparency, fairness and accountability. If there is a proper functioning, the benefits will have a long term impact, increasing investor confidence and risk-taking.

**III. Japanese Corporate Governance Model** is distinguished by the active role of state in strategic planning of enterprises. The model is stakeholder type, which also includes interested parties. Human capital is major in this model, employees being very important, because after graduation they are employed in such a company, and discontinuation of the collaboration is done upon retirement. Even if Japanese law claims that shareholders are owners of businesses, employees are those who own the enterprises, because they operate in the interests of employees and not for shareholders.

The advantages of this model are: business flexible financing and effective communication among banks and companies.

After analyzing the three models, we notice similarities and differences due to the circumstances regarding cultural differences that influence a country's policy, financial reporting models and accounting and legislative harmonization. In Romania, at present, companies apply a general corporate governance model based on the internal control of employees and of management.

In conclusion, the purpose of corporate governance is to ensure investor confidence so that financial decisions respect the principles of efficiency, accountability, transparency, ethics and equity (Onofrei, 2009, p. 70).

### **2.3. Corporate Governance in Romania**

Worldwide, the evolution of corporate governance was marked by the emergence and development of codes and specific principles. A total of 70 countries have come to publish corporate governance codes, as specified the European Institute. However, few of these have marked the history of this concept and influenced the development of a code of governance also in Romania.

*Internationally*, OECD is the organization that adopted in 1999 *five principles of corporate governance* which were imposed as a reference worldwide and have been inspiration to develop codes for the Member States and other countries. These are (Grosu, 2011, p. 252):

1. The right of shareholders and their key functions;
2. Equitable Treatment of Shareholders;
3. The role of stakeholders in corporate governance;
4. Transparency and dissemination of information;
5. Liability of the Board of Directors.

Thus, the remarks regarding governance of companies in Romania they were inspired by the OECD principles, in particular those relating to *modeling of management structure (Board of Directors and the management) to the needs of dualist system* (characterized by a clear separation between the Executive and the Board of Directors/Supervisory Board). Therefore, Law no. 31/1990 on commercial companies - updated and consolidated in 2015, establishes the distinction between executive management positions and non-executive, establishes the framework of management responsibility, the criteria defining independence and role of the Board of Directors and the management, the relationship between them, as well the relationship between these and investors-shareholders.

Subsequently, the adoption in US of the Sarbanes-Oxley Federal Law in 2002 had the role of strengthen the management of enterprises and restore investors confidence in the financial statements presented by the management of companies owned. The Act was sponsored by the US Senator Paul Sarbanes and Michael Oxley.

The Sarbanes-Oxley Law was approved in response to a large number of accounting scandals involving prominent corporations and companies in the US. These scandals have resulted in loss of public trust in accounting practices and situations reported. In these circumstances, the law sets new standards or higher for all the structures of a public interest company and for the management. It contains 11 titles and sections, spanning from additional responsibilities of management structures to sanctions resulting from its breaches. The implementation of these rules and requirements of the new law is the responsibility of the Security Exchange Commission. But is not observed any influence of this act in the Romanian legislation.

The Order no. 150 of February 11, 2015 on amendment of Accounting Regulations compliant with IFRS applicable to companies whose securities are admitted to trading on a regulated market, are mentioned the following aspects of the corporate governance code applied by these companies, and it recommends:

- Improving the transparency for shareholders, investors and other stakeholders;

- Description of the implementation of corporate governance code recommendations, relevant on topics of utmost importance for shareholders;
- Regular information on their websites with clear data, accurate and complete information needed in order to facilitate access for shareholders, investors and other stakeholders. The information must include company size, company structure or ownership structure or any other relevant characteristics;
- Inclusion of a reference towards site in the directors' report.

If enterprises deviate from the recommendations of the corporate governance code voluntarily applied, they must clearly indicate the recommendations breached, separately for each deviation from an individual recommendation:

- Explain how the company was deviated from a recommendation;
- Describe reasons for deviation;
- Describe how the decision was made to deviate from the recommendation;
- If the deviation is limited in time, explain when the company expects that it will comply with a certain recommendation;
- Describe the measure taken to comply and explain how the measure achieve the objective underlying the specific recommendation or code as a whole or clarify how they contribute to good corporate governance of the company.

### **3. Data and Research Methodology**

The performance of listed companies is significantly influenced by the form of corporate governance, namely by the ability of decision makers to identify and harmonize the interests of its social partners: shareholders, employees, creditors, suppliers, customers.

Corporate governance code of Bucharest Stock Exchange (BVB) offers flexibility, which is an advantage for the enterprise in terms of freedom to decide for achieve strategic objectives.

According to Order no. 150 of February 11, 2015 on amendment of Accounting Regulations compliant with IFRS applicable to companies with securities admitted to trading on a regulated market, have the obligation to report information about corporate governance in the “Content of management report” in the annual financial statements, information on *performance* business activity, *financial position*, *internal control*, *risk management*, and a reference to the *corporate governance code applied* that must contain:

- Corporate governance practices of the enterprise;
- Explanations of parts of code that do not apply and reasons of disapplication;
- Risk management systems;
- Powers of General Meeting of Shareholders and their rights;
- The structure of the administrative, management and supervisory bodies and their committees.

The website of European Corporate Governance Institute hosts the corporate governance codes of all countries which have them published, including Romania. For our country, it presented the *Corporate Governance Code of the Bucharest Stock Exchange* (first issued in 2000 and updated in 2008), which includes 19 principles.

Governance practices applied by the company must be made public, so that if it deviates from code, it should give explanations of parts of code that do not apply and reasons of disapplication. The issuers who decide to adopt full or partial the recommendations the Code must submit annual to BVB, a statement of compliance /non-compliance called Statement “Comply or Explain”.

Our research aims to concrete issues concerning the drawing up of this statement (Table 2), because the company CNFR X S.A. It has published such a document. This document is the *essence of corporate governance structure* which determines completion of the internal structure of the company, and may be included as a very important *objective* to support all enterprise perspectives, that lead to company's performance.

**Table 2. Statement “Comply or Explain” of the leadership S.C. CNFR XSA - Corporate Governance Code of BVB**

Principle/ Recommendation		Question	YES	NO	If NOT, then EXPLAIN
P19		The issuer is administered into a dualist system?	YES		
P1	R1	The Issuer has developed a Statute/Regulation of Corporate Governance to describe the main aspects of corporate governance?	YES		
		Statute/Regulation of corporate governance is posted on its website, indicating the date of the last update?		NO	It was not posted on the website for reasons of domestic politics.
	R2	In the Statute/Regulation of corporate governance are defined corporate governance structures, functions, competences and responsibilities of the Board of Directors (BD) and Executive Board (EB)?	YES		
	R3	Issuer's Annual Report provides a chapter on corporate governance which describing all the relevant events related to corporate governance, recorded during the previous financial year?	YES		
		The issuer disseminates information on its website about the following issues regarding of its corporate governance policy: a) Description of its corporate governance structures?		NO	Corporate governance policy is part of confidential elements.
		b) Articles of Incorporation updated?	YES		
	c) Internal rules of operation/its essential aspects for each commission /committee specialty?		NO	Corporate governance policy is part of confidential elements.	

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Principle/ Recommendation		Question	YES	NO	If NOT, then EXPLAIN
		d) Statement “Comply or Explain”?		NO	Corporate governance policy is part of confidential elements.
		e) members list of BD mentioning which members are independent and/or non-executive directors in the EB and committees/commissions specialized?	YES		
		f) a brief version of CV for each member of BD and EB?	YES		
P2		The issuer respects the rights of holders of financial instruments issued by it, providing them fair treatment and subjecting for approval any modification of conferred rights, in special meetings of their respective owners?	YES		
P3	R4	The issuer publish in a special section of its website the details of the General Meeting of Shareholders (GMS): a) the convener GMS?	YES		
		b) materials/documents related to the agenda and any other information relating to items on the agenda?	YES		
		c) special proxy forms?	YES		
	R6	The issuer has prepared and proposed to GMS procedures for orderly and efficient conduct of GMS, without prejudice to right of any shareholder to express their opinion on the matters under discussion?	YES		
	R8	The issuer disseminates in a special section of its website the shareholder rights, and the rules and procedures for participation in GMS?	YES		
		The issuer provide information in time (immediately after the GMS) to all shareholders through the special section of its website: a) concerning the decisions taken at the GMS?	YES		
		b) concerning the detailed result of voting?	YES		
		The issuer disseminates through a special section of its web page, easily identifiable and accessible: a) current reports/communications?	YES		
		b) financial calendar, annual reports, biannual and quarterly?	YES		
	R9	In the company of issuer there is a specialized department or person dedicated to investor relations?	YES		

Principle/ Recommendation		Question	YES	NO	If NOT, then EXPLAIN
P4, P5	R10	The BD shall meet at least once a trimester to monitor the activity of the issuer?	YES		The Board of Directors meets monthly, analyzes the financial result and approves credit lines up to an amount fixed in GMS.
	R12	The issuer has a set of rules regarding the behavior and reporting the obligations of trading of the shares or other financial instruments issued by the company (“the company's securities”) made on their account by administrators and other natural persons involved?	YES		
		If a member of BD or EB or another person involved performs its own account a transaction with the company's shares, then transaction is disseminated through its website, according to the applicable rules?	YES		
P6		The structure of the issuer's BD ensures a balance between executive and non-executive members (in particular, independent non-executive directors) so that no one person or a limited group of persons should not dominate, generally, in the decision making of BD?	YES		
P7		The BD structure of the issuer provides a sufficient number of independent members?	YES		
P8	R15	In its activity, the BD has the support of advisory committees/commissions to examine specific topics chosen by it and to advise it on these topics?	YES		
		Advisory committees/commissions submit activity reports of BD on the issues assigned to them?	YES		
	R16	For assessing the independence of its non-executive members, BD use the evaluation criteria set out in Recommendation 16?	YES		
	R17	Members improve their knowledge permanently, through training on corporate governance?	YES		
P9		Election of BD members is based on a transparent procedure (objective criteria regarding personal/ professional qualifications etc.)?	YES		



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Principle/ Recommendation	Question	YES	NO	If NOT, then EXPLAIN	
P10	There is a Nomination Committee within the company?		<b>NO</b>	BD members are named by the GMS, based on the proposals of the consultative commissions based on CVs and results from prior periods. The mandate is annually, with updating at the GMS.	
P11	R21	The BD examine at least once a year the need to establish a remuneration committee / remuneration policy for directors and executive managers?		<b>NO</b>	There are political mandate for one year. Remuneration is determined at GMS meeting.
		Remuneration policy is approved by AGA?	<b>YES</b>		
	R22	There is a Remuneration Committee consists exclusively of non-executive directors?		<b>NO</b>	There is no such committee, because it is not required, remuneration is fixed for one year by the mandate.
	R24	The remuneration policy of the company is presented in the Statute/Regulation of Corporate Governance?		<b>NO</b>	It is intended that this remuneration policy be analyzed, for now remuneration is made in the company on the basis of performance policy.
P12, P13	R25	The issuer disseminates in English the information which is subject to reporting requirements:	<b>YES</b>		
		a) regular information (regular provision of information)?			
		b) continuous information (continuous provision of information)?	<b>YES</b>		
		Issuer prepares and disseminates financial reporting according to IFRS?	<b>YES</b>		
R26	The issuer promote, at least once a year, meetings with financial analysts, brokers, rating agencies and other market specialists, in order to presenting financial elements relevant to the investment decision?	<b>YES</b>			

Principle/ Recommendation		Question	YES	NO	If NOT, then EXPLAIN
	R27	There is in the company an Audit Committee (AC)?	YES		
	R28	The BD or AC regularly examines the efficiency of financial reporting, internal control and risk management system adopted by the company?	YES		
	R29	The AC consists exclusively of non-executive directors and has a sufficient number of independent directors?	YES		
	R30	The AC is meeting at least 2 times a year, meetings dedicated to drafting and dissemination of biannual and annual results to shareholders and the public?	YES		
	R32	The AC makes recommendations to the BD on the selection, appointment and replacement of the financial auditor, and the terms and conditions of its remuneration?	YES		
P14		BD has adopted a procedure to identify and settle any conflict of interest?	YES		
P15	R33	Administrators inform BD about conflicts of interest as they arise and abstain from deliberating and voting on such matters in accordance with the legal provisions?	YES		
P16	R34/ R35	The BD has adopted specific procedures to ensure procedural fairness (criteria for identifying significant transactions, transparency, objectivity, non-competition) in order to identify transactions with parties involved?	YES		
P17	R36	The BD has adopted a procedure for internal circuit and disclosure to third parties of documents and information regarding the issuer, paying particular importance to information that may influence the market price of the securities issued by it?	YES		
P18	R37/ R38	The issuer carries out activities concerning the Environmental and Social Responsibility of the company?	YES		

Source: Statement "Comply or Explain", retrieved from: <http://www.bvb.ro/>

#### **4. Conclusion**

From this study are the following conclusions with regard to application or disapplication the 19 principles set out in the Code, so that CNFR X:

- Apply **the principle 19**, under which the company is managed through a **dualist system** consisting of a Board of Directors (BD) formed by 3 members and a Supervisory Board and Executive Board (EB) composed of 8 members. This dualist system has advantages over unitary system of management, it improves the corporate governance based on two management structures, by the fact that the first structure acts as a supervisor and tracks activity as a whole, and the second structure has an executive role being responsible for the daily operations;
- Apply **the principle 1** partially, namely:
  - At recommendations R1 and R2, the issuer has a Corporate Governance Regulation describing the main aspects of corporate governance: company history, structure and duties BD and EB, convocation, organization and attributions GMS, shareholders' rights, transparency, financial reporting, internal control and risk management, transactions with related parties and social responsibility (environmental protection). This regulation is not posted on the company website for reasons of domestic politics.
  - On the recommendation R3 concerning the Annual Report, it contains information of corporate governance about relevant events on: board members, CVs presentation of directors and executive directors, updated Articles of Incorporation, documents posted on the website. Within the same recommendation, documents such as internal rules of operation and the Statement "Comply or Explain" are not made public.
    - Apply **the principle 2**, according to which the company respects the rights of shareholders and ensures them a fair treatment and approve any modification of the rights conferred in shareholders' meetings.
    - Apply **the principle 3**, according to which the company provide relevant information to shareholders and treats them equally, giving them all the information and documents required for participation in GMS in time, through its website. Voting results and memorandum of GMS are posted in good time on the portal or by email. Shareholders and investors can get detailed relationships within a specialized department dedicated to the relationship with shareholders/investors.
    - Apply **the principles 4 and 5**, under which the BD meets monthly, analyzes the financial results and limit the transactions with securities issued by the company for a determined period of time If an administrator or another natural person performs on their own a transaction with the company's shares and control officer was informed, the transaction is publicly disseminated
    - Apply **the principle 6**, based on which the structure of BD ensures a balance without dominance of any group or person, so enable efficiency of decision-making.
    - Apply **the principle 7**, according to which BD has a sufficient number of independent members.

- Apply **the principle 8**, on the recommendation R15 the BD has the support of a committee on the submission by it of an activity report with a theme entrusted by BD. Following the recommendation of R 16, non-executive members provide information on financial activity, in order that the Board of Directors to operate efficiently and non-executive members support the development of strategy and policy proposed by the executive board.

For continuous improvement knowledge of board members, the company offers them trainings on corporate governance.

- Apply **the principle 9**, by which the company uses a transparent procedure on the election of board members, focusing on personal/professional qualifications.
- Do not apply **the principle 10**, because in company does not exist a Nomination Committee to recommend proposals submitted by shareholders, board or executive management, and be able to appoint nomination for the BD. This committee should assist the BD in appointing executive directors. The company considered that is not the case to establish such a committee.
- Do not apply **the principle 11**, because the company does not have in its structure a remuneration committee, the responsibilities of this committee being taken by the BD, which has the political mandate for one year and the remuneration is determined in GMS meeting. Concerning the presentation of remuneration policy in the Regulation of Corporate Governance, the company is still analyzing this issue, for now it adopts the policy of remuneration based on performance and is correlated to the achievement of performance indicators, so this motivates the interests of those with such remuneration
- Apply **the principles 12 and 13**, under which the company performs continuous and regular reports in English and financial reporting according to IFRS; promotes meetings with financial analysts, brokers and other specialists for financial elements relevant in investment decision; develop operating rules of the Audit Committee; Audit Committee shall examine regularly the effectiveness of financial reporting, internal control and risk management system adopted by the company
- Apply **the principle 14**, according to which BD adopts a procedure for identifying and resolving conflicts of interest.
- Apply **the principle 15**, through which the BD ensures avoidance of conflicts of interest with the company or another subsidiary controlled by the company, and if they occur, each board member informs BD about potential conflicts that may occur.
- Apply **the principle 16**, wherein the BD adopt correct identification criteria for transactions with significant impact, for transparency, objectivity, non-competition with the parties involved in transactions.
- Apply **the principle 17**, according to which BD provides complete and accurate information, timely to the public, so as to enable objective decision making on investments; the company constantly updates information for investors on website, and access to information is equal for all shareholders and investors.

- **Apply the principle 18**, according to which social responsibility is the concern of companies to protect the environment and the welfare of society, so that the company complies with ISO 14001/2009 standard on environmental management systems and operates according to Government Ordinance no. 195/2005 on environmental protection and the Danube Commission Recommendations on the prevention of ships pollution, and organization of waste collection from ships sailing on the Danube.

The data analyzed for the preparation of the Statement “Comply or Explain” were drawn from the annual reports of the company CNFR X. On determining the degree of compliance or noncompliance with the recommendations of corporate governance code, we used the non-participating observation method and we took into consideration defining elements of the principles of governance and transparency by the existence of a web page to drafting a Regulation of corporate governance, respecting the rights of shareholders, concern for social responsibility criteria that are applied mostly to 90%.

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THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
**EUROPEAN INTEGRATION  
REALITIES AND PERSPECTIVES**

## **Demographic Challenge - Economic and Social Aspects in Romania**

**Florin-Dan Pușcaci<sup>1</sup>, Viorica Pușcaci<sup>2</sup>, Rose-Marie Pușcaci<sup>3</sup>**

**Abstract:** This paper aims at capturing the fundamental changes recorded in the current evolution of the Romanian population and also foreshadowing of weather. The decreasing of the population in our country is a very worrying phenomenon, and that is why we believe that the topic is of interest to both academic debate and also for the country; thus is for implementing executive some emergency measures to stop this phenomenon that punctuate effects on future generations. It is true that a slowdown in population growth is registered in the entire European continent, but what is registered in Romania is much worse, even compared only with the eastern continent. In this approach we intend to study some initial traits of evolution population in Europe, detect a number of negative traits and subsequently fit the evolution of Romania's population, thus framing Romania following European evolution. An aging population is another major phenomenon, with Romania registering more than 210,000 people over 65 than young people under 14 years. This situation is due to a part of a policy of ultra-restrictive and contrary to human dignity from the communist period and the changes in rural life since 1989. In order to tackle these issues we used some quantitative and qualitative methods, with the tools like: statistics, graphics and mathematics order are necessary in the measurable results, and in the development of predictions.

**Keywords:** decreasing; population; aging population; the age pyramid.

**Motto:** *Facts do not cease to exist because they are ignored.*

*Aldous Haxley (1894-1963)*

### **1. Introduction**

“This model of demographic change remains a central preoccupation in contemporary population studies” (Szreter, 1993) noticed Simon Szreter (1993) and demographic transition theory is generally considered to have been given its classic formulation in two separate publications, by Frank W. Notestein and by Kinslay Davis, both composed in 1944 and published in 1945.

But the theory of demographic transition, or “demographic revolution” was first proposed by Adolphe Landry (1874-1956) in his seminal “La revolution demographique” (Landry, 1987, pp. 731-740), published in 1934 (Landry 1934/1982). (Laundry, 1934). The theory was thereafter reformulated between 1945 and 1953 by the American demographer Frank W. Notestein (1902-1983), which

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ascertained that: to understand the variety of demographic regimes found across the world, it is necessary to understand the history of demographic change globally (Notestein, 1953). Work by Warren Thompson (1887-1973) which observed changes, or transitions, in birth and death rates in industrialized societies over the previous 200 years<sup>1</sup> and Kingsley Davis (Kingsley, 1987) (1908-1997) which was internationally recognized for his expertise in world population growth and resources, the history and theory of international migration, world urbanization, demographic transition and population policy and also contributed to the intellectual foundations of the theory. Anyhow, (overall) the demographic transition theory (perhaps the most dominant theory in demography) is an attempt at a comprehensive, even universal description of the demographic change. The theory has a practical and operational dimensions inasmuch as it can help design policy interventions and/or define assumptions to calculate demographic projections.

Graziella Caselli, Jacques Vallin and Guillaume Wunsch (Caselli, Vallin, & Wunsch, Massachusetts, United States) published a long overdue about demography, analysis and synthesis thorough treatment of the field that offers a “one-stop shop” for those who need non-technical summaries.

Vladimir Trebici and Ilie Hristache (Hristache, 1986) analyzed in their work the number of population from Romania and its territorial spreading, with its structure of population - at that time.

David Coleman (2006) (Coleman, 2006) spoke about ethnic and social transformations which are brought about “by high levels of immigration of persons from remote geographic origins or with distinctive ethnic and racial ancestry”.

Charles Hirschman (2003) (Hirschman, 2004, pp. 425-431), refers to the fact that demographic phenomena are linked to the socioeconomic factors. “Population and development generally refers to the study of the consequences of population trends on socioeconomic development, human welfare, and the natural environment”.

John F. May (May, 2012) analyzes the demographic situation in the countries, that are confronted with the post-transitional imbalances. The author also makes references to the population policies in the developing countries.

Tim Dison (2010)<sup>2</sup> expertly guides the reader through the demographic transition's origins in the Enlightenment and Europe, through to the rest of the world; the author examines how its processes have underlain previous periods of sustained economic growth.

Ronald Lee (2003) (Lee, 2003) precised in his work that “the transition began around 1800 with declining mortality in Europe. It has now spread to all parts of the world and is projected to be completed by 2100. This global demographic transition has brought momentous changes, reshaping the economic and demographic life cycles of individuals and restructuring populations. Since 1800, global population size has already increased by a factor of six and by 2100 will have risen by a factor of ten”.

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<sup>1</sup> Thompson, Warren (2003). *Encyclopedia of Population*”, Macmillan Reference. 2003. Pp. 939–40.

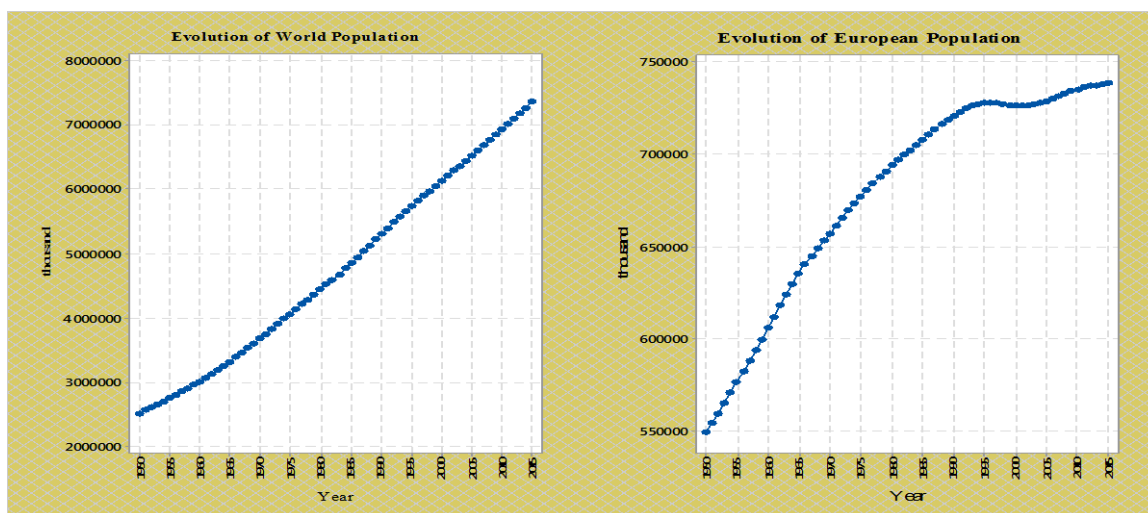
<sup>2</sup> Tim Dison, *Population and Development: The Demographic Transition* Paperback – 14 Oct 2010, pp. 8-49



## 2. Presentation

Although at first examination might seem like vulgar human characterization by Henry George<sup>1</sup> that “The Man is the only animal whose desires increase as they are fed; only animal never satisfied”. It contains a great truth: the creator of the material and spiritual goods has come to be experienced in some parts of the world, with its problems of evolution, providing a workforce to support economic development and social and why not perpetuate it.

We refer to the population of the European continent, which, despite the steady growth in the postwar period recorded lower growth rates than the global rate. Thus, as can be seen from Figure No. 1 on the left of the world's population has grown from about 2.5 billion in 1950 to about 7.5 billion while Europe's population increased from 550 million to 750 million inhabitants. These increases the asymmetric global population and determine Europe's share of the European population as to reduce significantly across the globe, reducing it from 22% in 1950 to only 10% in 2015 (see Figure no. 2). the development in this regard uneven population continents is presented in dynamic Figure no. 3. This chart reveals the number on the one hand the European population globally and, on the other hand rhythms more reduced growth compared to those recorded by other continents. Table No. 1 shows the main sizes of the changes and also offers a better ranking of growth rates. As it can be seen coefficient of variation, modification of the European population during 1950-2015 was the lowest, only 8.48%, that which denotes that the population of this continent recorded the lowest change. 6-fold difference in coefficient of variation of the European population from that of the African continent and 4 times at the Asian continent determine how much to finally share in Europe compared to the population of globally to reduce so drastically. Maybe that was the foundation of this situation that prompted the admission of immigrants on the territory of Europe.



**Figure 1.**

*Source: UN Population Division Department of Economic and Social Affairs*

<sup>1</sup> Henry George (2nd September, 1839 – 29th October, 1897) was an American writer, politician and economist

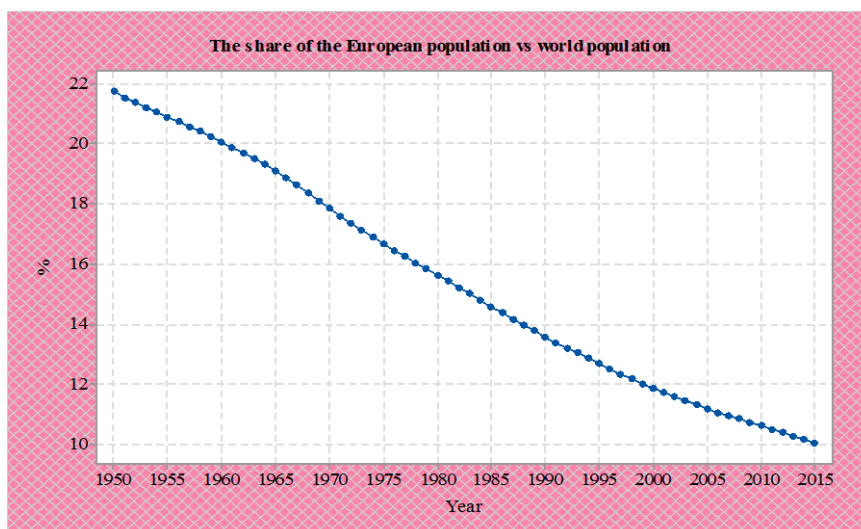


Figure 2.

Population growth has been achieved at different rates during the period analyzed, so while increasing European population was achieved in rates relatively constant over the decades in Africa, Asia and South America, the rhythms are becoming larger towards the end of the period. These dynamics are expressed in graphical form in Figure no 4. In other words, the phenomenon of asymmetry on population growth on the continent was emphasized in recent decades, a phenomenon that is assumed will continue in future periods.

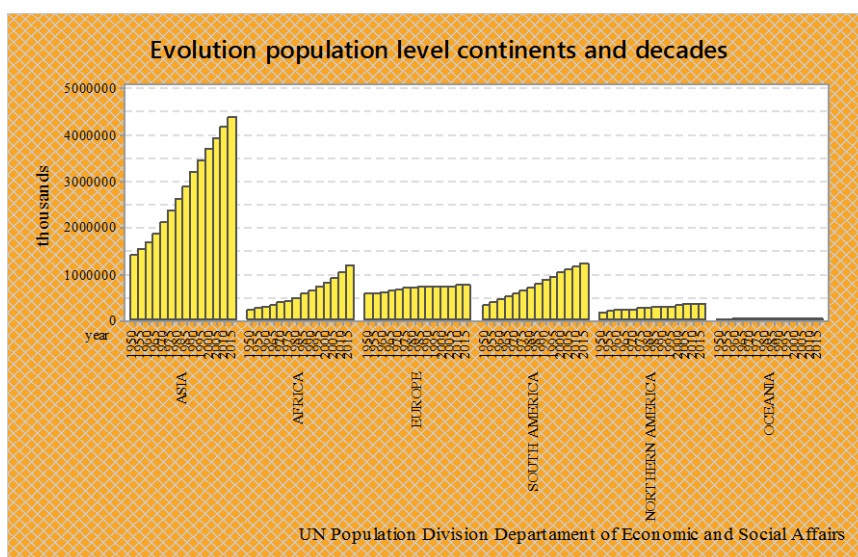


Figure 3.

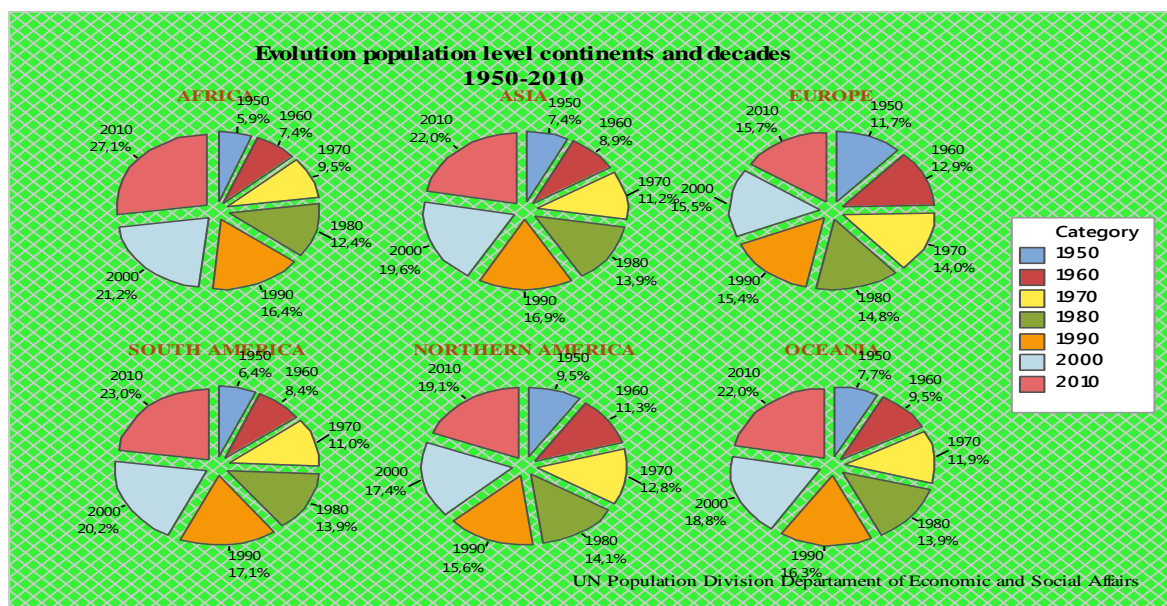


Figure 4.

Table 1. Descriptive Statistics: Evolution of the population by continents

Variable	Mean	SE Mean	StDev	Variance	Var	Minimum	Maximum
Africa	578.812	34.665	281.621	79.310.279.279	49	228.902	1.186.178
Asia	2.809.853	116.462	946.140	895.181.000.000	34	1.394.018	4.393.296
Europe	679.369	7.088	57.585	3.316.027.627	8	549.089	738.442
South America	751.115	34.475	280.077	78.443.231.466	37	320.612	1.225.574
Northern America	263.961	6.621	53.791	2.893.471.038	20	171.615	357.838
Oceania	24.581	943	7.658	58.651.600	31	12.682	39.331

Including across the European continent there are major differences between the main areas regarding the pace of population change. Thus, only the Eastern Europe registered consistently above 40% of the total population of the continent, as it could be seen in this Figure no 5.

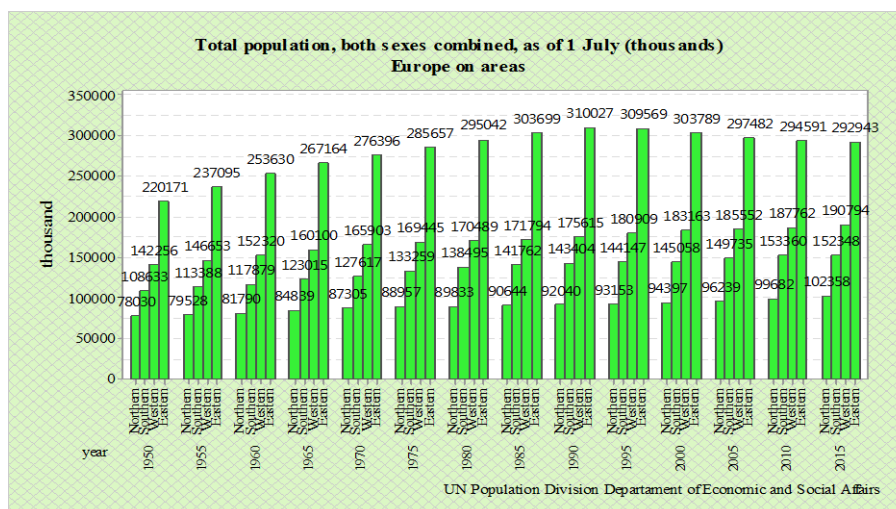


Figure 5.

Rates of change of the European population in the decades 1950-2010 period are relatively constant so as anyone can see in Figure number 6, and the coefficients of variation in Table No. 2.

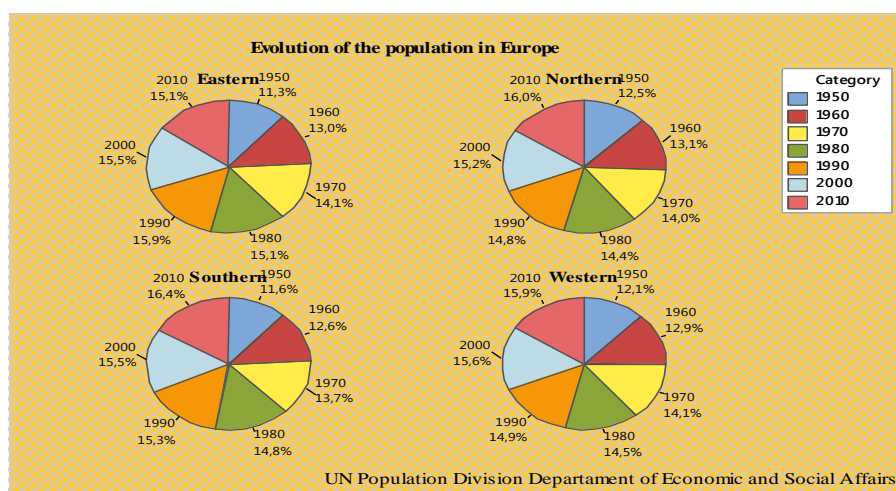


Figure 6.

Table 2. Descriptive Statistics: Evolution of population in Europe

Variable	Mean	SE Mean	StDev	Variance	Coef Var	Minimum	Maximum
Eastern	283.590	3.116	25.314	640.781.682	9	220.171	310.686
Northern	89.886	800	6.497	42.213.317	7	78.030	102.358
Southern	135.468	1.675	13.606	185.111.541	10	108.633	153.451
Western	170.424	1.724	14.009	196.242.090	8	142.256	190.794

Population evolution has been marked by increasing average age of the population who in the analyzed period increased by about 10 years in both sexes, as seen in Figure no. 7. This can be attributed to the recorded economic growth reflected in living conditions in consequence, it is first of

increasing life expectancy, as age population in the first category, namely between 0 and 5 recorded a halving of the share of about 10% give only 5% .is the wording of a very unfavorable phenomenon on future periods or aging population, see Figure no. 8.

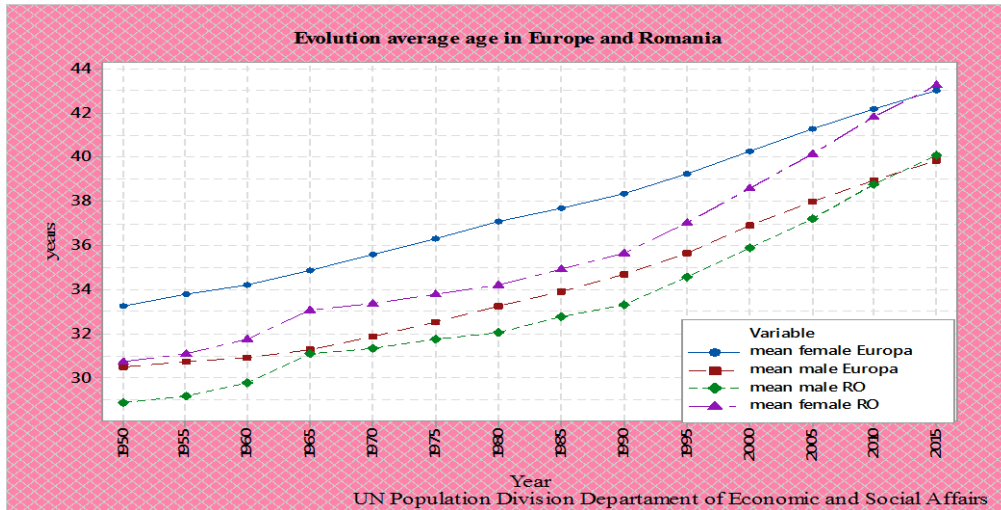


Figure 7.

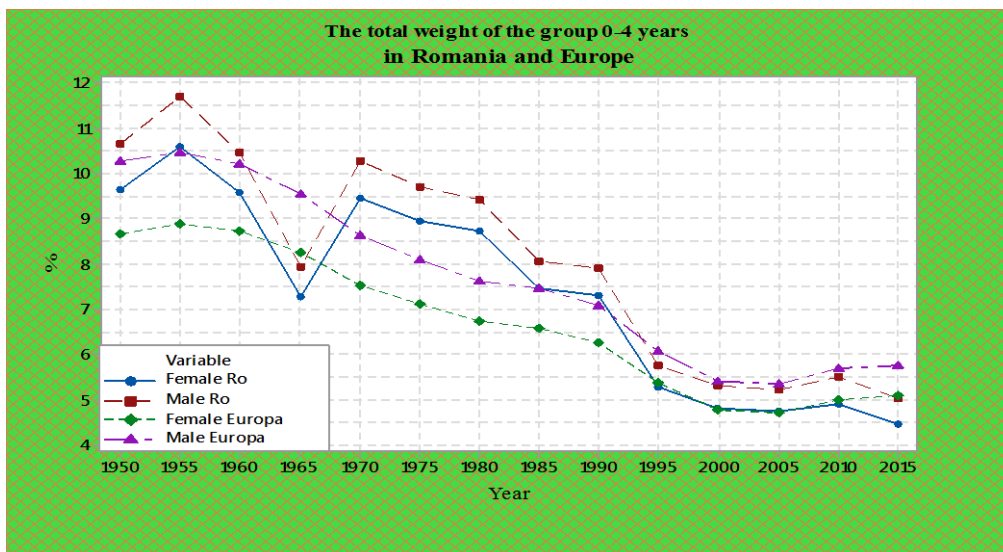


Figure 8.

In this negative trend both in terms of quantity and quality enroll and Romania's population, but so will be seen as negative phenomena are much wider.

If Europe population growth rates, the evolution of Romania's population by sustained growth until 1990 recorded a very pronounced decline.

Romania enrolls unfortunately one of the most restrictive legislations and also primitive about population growth, we refer to Decree 770/1966<sup>1</sup>, a normative act despite demographic boom contributed to the death of many mothers trying to circumvent it. Despite a lack of transparency in official statistics as well as some deformity causes of death is estimated, however, that only the last year of the communist dictatorship scored 1193 deaths<sup>2</sup>, there were recorded as a result of this outrageous act. The justification lies on one hand in decrease of the growth rate of birth, in 1965 the number of abortions reaching 1.115 million that which represented a doubling from the level recorded in 1959, and on the other hand the high number of divorces, Romania recorded in 1964 the highest index of divorces comparing to the number of marriages in Europe, an average of five marriages when one is falling apart and in capital completed half of marriages through divorce<sup>3</sup>.

We believe that despite these unfavorable situations resorting to brutal and dictatorial measures on private life was one of a series of laws imposed by the communist leadership in the demographic field. We are considering increasing the number of children that permit abortions taxes for families without children, etc. and to order bureaucratic measures that allowed divorce.

In some sectors, divorces attracted even reductions from their jobs, even despite a long experience and some remarkable results. The required measures and how to apply them, being given a lack of education of the population and birth control failure made this area to be the most unpopular communist period and unfortunately to propagate even in the aftermath 1989. As an expression of unpopular character this decree was among the first acts abolished immediately after the 1989 revolution.

Unfortunately, the lack of a coherent and an education precarious in the field, liberalization has contributed to Romania's population to record a downtrend. It is due to mention that in 1990 10% of the female population between 16 and 50 years have used a break legal task in Figure no. 9.

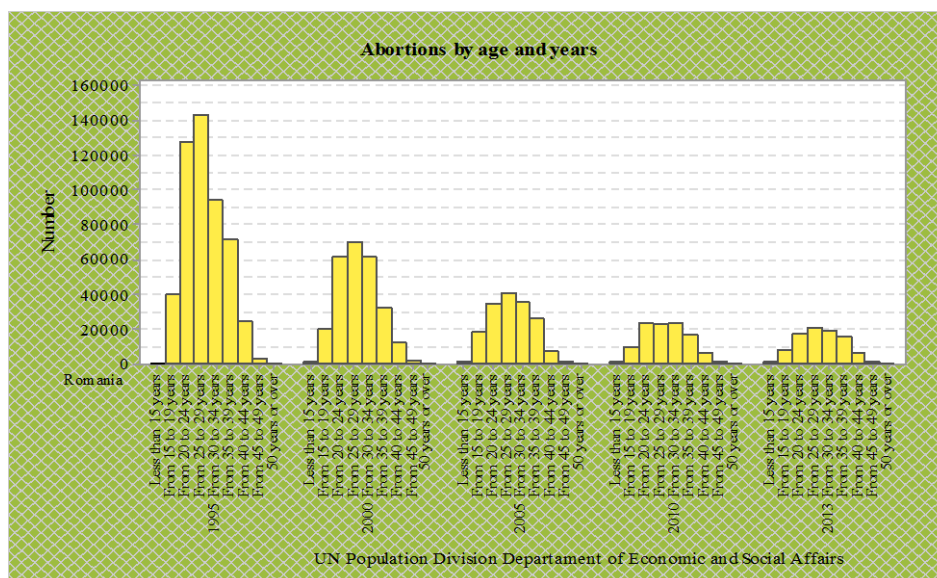


Figure 9.

<sup>1</sup> Decree No. 770 of 1st October 1966, published in the Official Bulletin No.60 of October 1, 1966

<sup>2</sup> See Lavinia Beta Life Ceausescu's Decree anti-abortion, prostitution and "Decree" <http://adevarul.ro> 11 November 2012

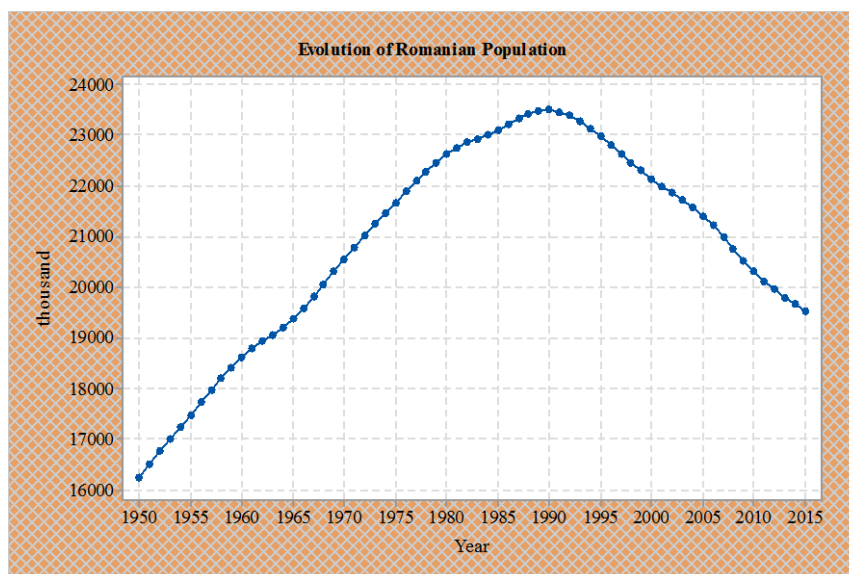
<sup>3</sup> Ibidem.

**Table 3. Descriptive Statistics: Abortions by age and years**

Variable	Mean	SE Mean	St Dev	Variance	CoefVar
<b>1995</b>	55.871	18.521	55.564	3.087.303.024	99,45
<b>2000</b>	28.652	9.539	28.617	818.915.737	99,88
<b>2005</b>	18.151	5.520	16.560	274.245.553	91,24
<b>2010</b>	11.324	3.355	10.064	101.286.298	88,88
<b>2013</b>	9.604	2.791	8.374	70.122.525	87,20

The graph and data in Table no. 3 reveals a decrease in the average annual number of interruptions statutory task and also the reduction coefficients of variation that designates a dispersion less between age groups, i.e. greater uniformity by age disruptions task.

Evolution of the population of Romania during 1950-2015 is shown in Figure no. 10 which ultimately synthesize the two tendencies, one upward respectively until 1989 and remains bearish subsequent period. For the entire period from 1950-2015 Romania population's evolution can be modeled based on a parabolic trend, see Table no. 4 in this respect, both the form and explaining the chosen model that is statistically representative.



**Figure 10.**

Source: UN Population Division Department of Economic and Social Affairs

**Table 4. Polynomial Regression Analysis: Romania versus time**

The regression equation is

$$\text{Romania} = 15062 + 391,3 \text{ time} - 4,923 \text{ time}^2$$

$$S = 398,891 \quad R\text{-Sq} = 96,3\% \quad R\text{-Sq}(\text{adj}) = 96,2\%$$

## Analysis of Variance

Source	DF	SS	MS	F	P
Regression	2,00	258.752.038,00	129.376.019,00	813,10	0,00
Error	65,00	10.024.194,00	159.114,00		
Total	67,00	268.776.232,00			

## Sequential Analysis of Variance

Source	DF	SS	F	P
Linear	1,00	90.321.341,00	32,39	0,00
Quadratic	1,00	168.430.697,00	1.058,55	0,00

The model chosen allowing for harsh weather I've evolution of population in the country. Thus, we obtained the model predicted 2030 population evolution, see Figure no. 11. As can be seen in the next period Romania's population will continue to decline. They also find that around the 2030's Romania's population will return to the level recorded in 1950. It is a phenomenon that totally unfavorable for our country will face serious demographic imbalances with repercussions that will affect the economic and social economic development, pensions etc.

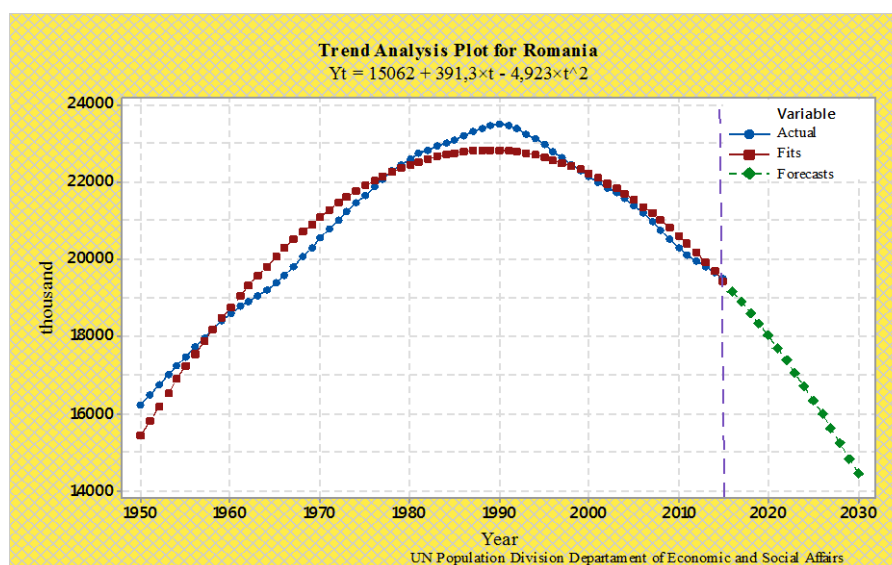


Figure 11.

Source: UN Population Division Department of Economic and Social Affairs



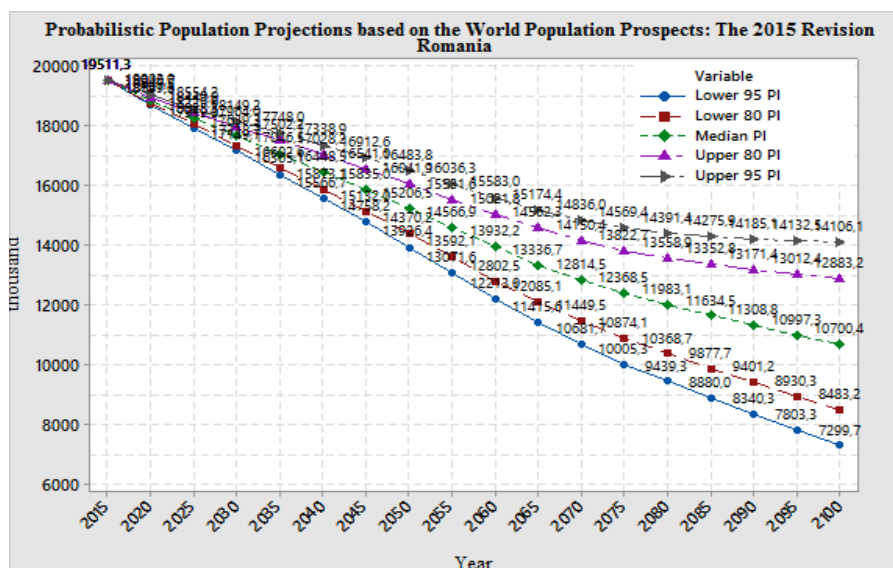


Figure 12.

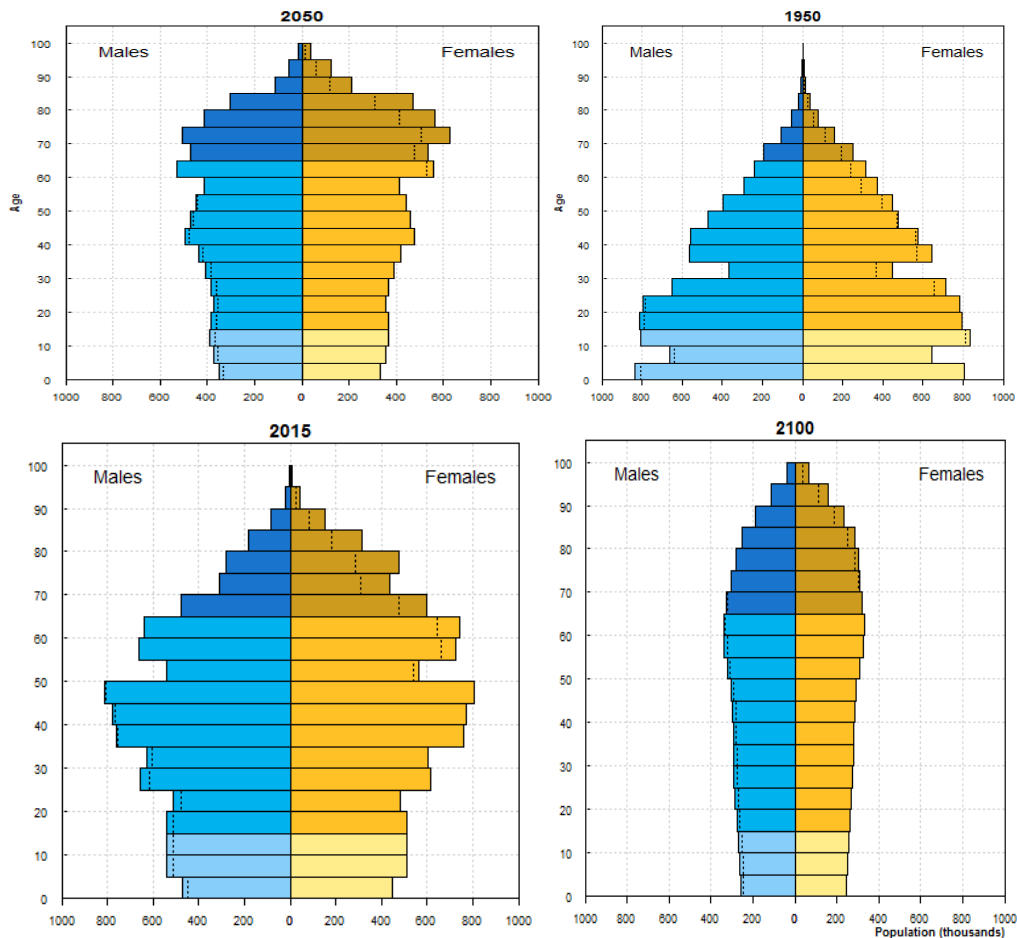
Source: UN Population Division Department of Economic and Social Affairs

Similar conclusions reached and UN Population Division Department of Economic and Social Affairs which carries a term forecast, by 2100. After respectively as shown in Figure no. 12, in 2100 Romania will register a population of only 10 million inhabitants.

Another phenomena with multiple implications on population trends is the aging population. It is the consequence of the growth of a middle age as a result of improving living conditions appreciated as a positive phenomenon, and on the other hand to reduce the share of young population, which cannot be considered as a negative phenomenon. How “Everyone wants a long life, but no one wants to be old”<sup>1</sup> cause with the decline several major imbalances at the macroeconomic Romania: reducing potential GDP, maintaining dependence on foreign capital and increase pressure on the state budget<sup>2</sup>. These phenomena reduction and aging population are shown in the graphs in Figure no. 13, which convey the pyramids ages in the years 1990, 2015, 2050 and 2100. It could be noticed that with time, on the one hand a narrowing of the pyramids, on the other hand smoothing the population by age.

<sup>1</sup> Jonathan Swift 1667- 1745 was an English writer, one of the most important representatives of the Enlightenment period of the first English realism.

<sup>2</sup> Dan Popa - Romania is shrinking and aging. Some economic effects and possible solutions, Hotnews, February 10, 2016.



**Figure 13. The age pyramid**

*Source: UN Population Division Department of Economic and Social Affairs*

### 3. Conclusions

These are just some of the demographic challenges facing Romania as a result of that will worsen in the coming period. The result also resulted that these issues are recorded in the entire continent, but the magnitude of negative phenomena is much greater than those within Europe. We believe that these come primarily from the change of lifestyle of the Romans after 1989, when responsibility for work, fear of job loss, and that measures reaction to the absurdity of the communist period.

Regarding the measures that are being taken in order to stop these phenomena, scientists have launched a number of ideas that would be required to be applied. Thus, the director of National Statistics Institution<sup>1</sup>.

Proposes to the French model, which consists of three sets of measures, namely:

- 1) fiscal measures directed to families with children;

<sup>1</sup> Apund Tudorel Andrei Dan Popa, Romania is shrinking and aging. Some economic effects and possible solutions, Hotnews, February 10, 2016.

2) measures concerning the nature of these families for example the development of nurseries, development establishments in which children can be educated and can allow parents to take an active life following the birth of a new baby in the family;

3) measures of facilities so-called tax exemptions or tax deductions for certain categories of families.

In turn, Director of the Center for Demographic Research of the Romanian Academy, Vasile Ghetau argues that to apply a policy to stimulate the birthrate should be performed extensive research to detect the optimal set of measures.

From our point of view we consider it necessary to review and amend all legislation relating to birth and growth clot in a code. Providing real greenhouse facilities for families with children and improving education and health System in which to sustain population growth. The existence of a specialist teacher on age levels is essential in a child's life. Unfortunately, even in a city like Iasi, the first university was established on Romanian territory there are only two teachers who pass through each week nursery city and have activities during this stage<sup>1</sup>. Thus, we believe that the deficit of about 40-42%<sup>2</sup> of doctors reflect on the entire medical system in Romania, but also reflects the demographic situation, both through the quality of care provided to children, but also through prevention and education in the field. This situation is so serious that lead to the closure of some hospitals, pediatric Slobozia Hospital<sup>3</sup>. We also appreciate that improved credit system "First Home" also need to be revised in the sense of mutual aid with several young children, knowing that one of the reasons given by young people in starting a family consists of homelessness.

Of the presented wanted to present some aspects of deep crisis which is registered in the evolution of Romania's population and also that this area should constitute a priority objective that cannot be resolved through measures sequential, but only by a strategy, encompassing an aggregate measures.

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<sup>2</sup> <http://www.mediafax.ro/> / September 5, 2014 interview with President Vasile Astarastoe medical College of Romania (CMR)

<sup>3</sup> <http://www.independentonline.ro/2015/05/07/>.

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## **Managing Security Risks in an Industrial Investment – Analysis Directions**

**Stefan Dragomir<sup>1</sup>, Georgeta Dragomir<sup>2</sup>**

**Abstract:** This paper achieved an analysis of some important management strategies for an investment, in correlation with index of global pollution. Environmental security assessment shall be determined taking into account the workplace security and effects on health, safety of workers in an industry investment. It is necessary to observe and collect a larger number of data generated by the development of an industrial process, so as to make a deep analysis on global pollution index and how it is affected industrial investment environment. This research shows how can the substances that infest the environment to produce much damage and influence the environmental factors (air, water, soil, landscape, fauna and flora). When we know the risks that characterize the plant equipment, we can protect the life and we can protect the environment for a sustainable development in the future.

**Keywords:** strategies; environmental security assessment; index of global pollution.

### **1. Introduction**

In relation to the risks presented by the pollutants products, its assessment is often difficult, because of the richness of products and the preparations used.

The leader of businesses will have to implement a policy of prevention which favors replacing dangerous products with less dangerous products.

For the purpose which is faced with this problem it has been developed a simplified methodology for the assessment of the risks to health, safety and the environment.

The method has been applied in a few companies from different sectors, and the results were analyzed with an expert implement in practices.

In order to reduce the risks to employees, it is necessary to research and assessment of occupational risks and put in practice a prevention politics, based on technical or organizational measures.

The risks evaluation principles are referred by the framework of the European Council Directive on 12 June 2001.

This system of evaluation requires application of a methodology, which identify hazards, the conditions of use, which are likely to give rise to a risk.

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The basic principles of this approach have been the subject, in 2006, of a guide book published by the European Commission. They have published several decrees containing tools for the risk evaluation.

Given the wide variety of uses, there is no single prioritization system appropriate to all applications. Some ranking systems focus on: the relative condition of assets that might fail the relative potencies of different chemical hazards relative availability of exposure pathways to receptors or the likelihood of harm should exposure occur (Ricci, 2010).

## **2. Strategy Guide for Avoiding Polluted Risk**

To help entrepreneurial system in this approach has created a guide that represents an instrument of awareness, which allows before all, an enumeration of dangers.

This guide is limited when the number of chemicals listed is great, and when it becomes necessary to a ranking of risks.

To assist enterprises to manage their chemical risk in your day-to-day business, it has developed a simplified methodology for the assessment of the risks to health, safety and the environment when used chemicals.

A system for chemical polluted evaluation, necessity a plan with a lot of preventive action that must cover all aspects of chemical risk.

To meet the demands different partners (business, physicians in occupational medicine, territorial officers of labor protection), are faced with the chemical risk assessment, the specialists in domain from Europe, have achieved methodologies and procedures that were the object of verification for validity.

They were making risk evaluations in some cases studies and expert opinions were confronted with the results of the method. In the institutions which have been the subject of an assessment, the number of chemicals was very variable: from a few tens to hundreds.

In some cases, the systematic nature of the assessment procedure, allowed demonstration for risks situations, which had not been identified by the experts.

It has been found a good correlation between expert opinions and proposed method. Even if the assessment method simplified exhibits occasionally tend to overestimate risk. Also, the method has been tested by the services for the Prevention of Regional Houses of the Health Insurance.

## **3. Inventory of Pollutants**

It is the most important step, because determine the quality of general procedure for the risk evaluation. To ensure the success of this stage, it is desirable that the working group, supported by the enterprise leader, designate a responsible for this operation. Group will have to be ensured in the first place that this responsible shall have access to the various sources of information available in the enterprise and that it is receiving assistance from the management and staff.

This stage represents a load of their important, which may be facilitated by using the activity plan of the undertaking, the documents of the procurement service, organization chart of enterprise.

At the end of that stage will be drawn up complete the list of products and materials used in the enterprise.

At the time of the inventory, the products which expired or are unused for a certain period of time will be removed.

Data collected during this phase are the following:

- indications for product or the name(s) of the product;
- quantity used (per year/month or up to the time when considered);
- frequency of use;
- the working area where product is being used;
- information on hazards provided by labels (icons, risk phases etc.);
- information provided by the safety data sheet (hazards, physic-chemical, etc.).

In view of the large number of products and raw materials used in an enterprise, it is necessary to prioritize risks through the establishment of priorities, for example by identifying first the most dangerous products (Rojanski & Bran, 2004). Prioritize products identified during inventory shall be carried out in accordance with existing method which shall take into account hazards, potential exposure(health), potential for ignition (fire-explosion) and an impact on the environment.

It must calculate the potential risk score for a chemical, the effects on human health, risk of fire - exploded and environmental impact.

Combining the value classes of each parameter we can calculate a score of potential risk. It sets the priorities for the risks assessment for a plant sector, a workshop, a job, etc. So, in relation to the practical application of the method provides objective elements decision to establish situations that requiring with priority, an assessment of the risk.

It is strongly recommended to classify priorities for assessment by a Group of Homogeneous Exposure (GHE), to organize the next phase named “assessment of the risks”.

A GHE corresponds to an assembly of persons, places of work or tasks, for which it is estimated that exposure is of the same nature and similar intensity.

Creation of a GHE can be carried out on the basis of three approaches concerning:

- chemical agent, which shall consist of the risk evaluation to all GHE from an enterprise that uses chemical agents with potential risk increased, regardless of location;
- workstations, which shall consist of the evaluation of the risk to all GHE of the work area which is characterized by a significantly potential global risk (geographical notion);
- the procedure, which consists in the risk assessment for all GHE business, regardless of location (notion of production line).

### **3.1. About Siris Method**

It is a scoring system highly appropriate for the estimation of environmental risk. This method, based on four exposure criteria and four effect criteria, was highly efficient for risk assessment and made it possible to display various groups of chemicals and to classify them. (Friar, Pryde, Beaumont, Morris, & Tickner, 1999)

Another new methodology to be used in Romania at the level of year 2015 regarding the ecological impact/risk assessment, based on Dempster (Dempster-Shafer theory is an approach to combining

Evidence developed and degrees of belief derived from independent items of evidence) from theory Dempster-Shafer and the algorithm of rational approach from the theory Evidential Reasoning.

This methodology is able to face uncertainty that is proper for systems involving subjective assessments. It is able to offer quantification and a mathematical model for the uncertainty. It also respond to the present law requirements regarding large democratic and transparent participation of all stakeholders in the decision making process concerning environmental impact/risk assessment.

The proposed methodology consists of a set of principles, rules and methods able to offer a mathematical model of uncertainty and to consider all opinions during the assessment process even when they are very different in nature.

The chosen research method was a case study based, that has the advantage of directly applying the theory in practice investigating the research objects in the real context they occur. This, it is also a method that includes evidences from multiple sources and uses oriented samples in case studies selection.

In the ecological impact/risk assessments, this selection type is a plus because, generally speaking, the usual or average cases are not the richest in information.

In case studies selection, we considered, on one side, the uniqueness of each case study.

I considered, on one side, the uniqueness of each case, taking into account the specific pollution, and on the other side the fact that each of them might be a representative case for the prospective sustainable development of Romanian industry. I have also considered that is the most appropriate research method to exemplify the implementation of an ecological impact/risk assessment knowledge based method. The instruments of data collection were technical documentation and public surveys. We collected two categories of data for research accomplishment: quantitative data – measurements, and qualitative data from evaluators' value-judgments, obtained from conducted public surveys. The entry data, about work place was pollution situations of this area. We ensured that they are used adequately concepts define like “significant pollution” and “ecological risk”), and the method used in the evaluation process was based on the applicable current environmental legislation. To assure the internal validity, we used data (physical-chemical and biological) from multiple sources. By involving a number of 30 persons in the public surveys (grouped in six interest groups, based on their specific field of activity), the method assured the external validity. Each group consisted of five members having background and experience in academic, research, hydromechanics engineering, quality management, environment, health and work safety fields, acting as environmental concerned public.

#### **4. Research on Global Pollution Index in an Investment**

Investigations that are being made to determine the environment risk, must be able to answer to the following aspects:

-if the existing data are sufficient;

- If there is no limit or standard values generally accepted criteria, to differentiate the significant impact levels;

-if there are methodologies quantitative/statistical, suitable for description impact levels, or make a subjective assessment;

-if there is no previous evaluation which might have led to similar actions.



Ideal conditions to assess the environment impact, shall consist in the existence of specific data both for the unit to be analyzed as well as for the area is located.

Existing tested models tested of the environment impact, so the subjective analysis has to be reduced to a minimum.

For these reasons, the valuation methods can be divided into two groups (Bedford & Cooke, 2001):

- Empirical methods by which to generate the provision of technical environment conditions in the future;
- Methods, which uses measurements relative to underprivileged provision environment in the future.

Assessment of the environmental impact is the main method to determine the degree of deterioration in the environment as a result of industrial activities.

Systematic list shall submit a summary of proposed actions. It shall provide elements which characterize nature and phases of work for the environment risk determination.

Matrix method is the most used instrument of environmental risk assessment.

The matrix is a table, where is co-positioned activities that can produce an environmental impact. Matrix lines represent the criteria which will mark the risk of one activity. In each cell of the matrix may be marked a digit by showing so far as the business is likely to have a negative or positive effect to the given criterion.

Matrix columns represent activities which may cause an impact on the environment taking into account the components and characteristics of the environment.

Activities which may affect the environment are: conversion of land, the extraction of resources, and renewal of resources, storage and treatment of wastes, chemical treatment, and accidents to the environment.

The environmental characteristics to be aimed at in an impact analysis are:

- physic-chemical characteristics of the soil, water, air;
- biological conditions: flora, fauna;
- factors of cultural activities: lands use, recreation, cultural interest, facilities and man-made activities;
- ecological relationships: salt in water resources, water polluted, insect's transmitters of diseases, etc.

It will be appropriate to identify all anthropogenic activities which may environmental affect (columns);

At the top of the toolbox shall be placed a number, which indicates the magnitude of impact (the number 10 represent the most high magnitude, and number 1, the most low magnitude); before each number shall be noted type of impact, if it is positive with “+” and negative to the sign “-”);

In the upper left hand corner of each box shall be placed a number that indicating important of environmental impact (regional, local).

In the case of environmental balance, with this method may be appreciating the time, the environmental influence of human activities. In this way, it can make an assessment of the effectiveness of the emission control activity.

## 5. Calculus of Global Pollution Index

Aim of assessing the impact of human activities on the environment, as well as to follow the development of the pollution phenomenon, there is a need for an assessment of health, or of pollution of the environment, to a moment. Assessment of the pollution degree for the environment is represented by the global index of pollution. The analysis of soil types also show if it is possible to develop the investment in the status of soil quality like in the figure No.1.

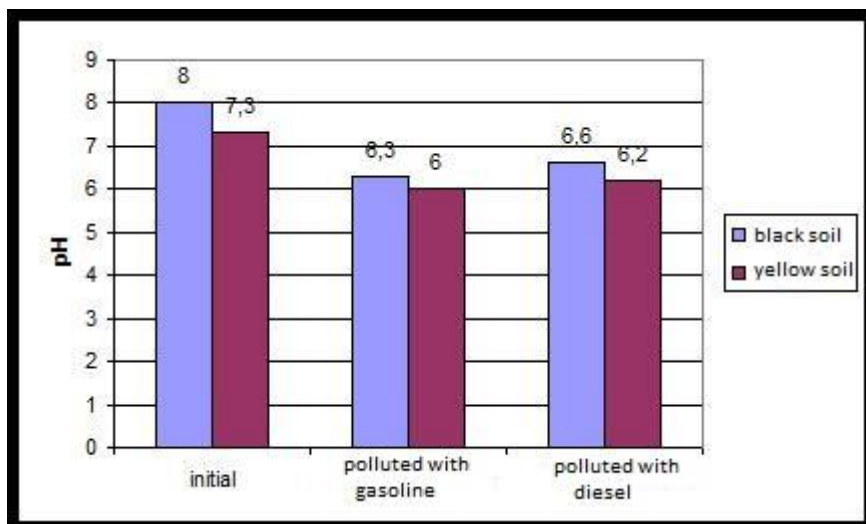


Fig.1. pH for two types of soils.

It is considered that it is possible to assess quality of the environment at a given moment, by the quality indicators on the environment (air, water, soil quality, Climacteric comfort, thermal regime, wind regime, radiation regime, O<sub>2</sub> quantity, dissolved in the water) state of health and the deficit of plants and animals species.

### 5.1. Indicators of pollution source-case study

These indicators were adopted by the European Union and aims:

1. Emissions of CO<sub>2</sub>, SO<sub>2</sub>, Nox; 2. Emissions of greenhouse gas; 3. Changing the category of land use; 4. Using chemical fertilizer; 5. Use of water resources; 6. Use forest resources; 7. Wood trade; 8. Fishing; 9. Waste from production activities; 10. Municipal waste; 11. Industrial accidents; 12. Increased of economic activity; 13. Structure of production; 14. Consumption of energy; 15. Industrial production; 16. Transport; 16. Household consumption; 17. Demographic trends.

According to the entry in the predetermined limits, shall be granted notes worthiness, obtained for each environmental factor analyzed, and also serve to achieve graphics of a strip, as a simulation of the effect of product of pollutants.

Figure resulting can be an equilateral triangle, a square or a pentagon regularly, depending on the number of environmental analyze factors.

The index of global pollution (I.G.P) status of an ecosystem, (allowed.”), is the ratio between the area representing ideal status (Si) and representing of actual (real)status (Sr):

$$gp = Si/Sr$$

When there is no change in the quality of environmental factors, when there is no pollution, this index is equal to 1.

Conventional has established a scale of 1 to 6 for the index of global pollution, as follows:

IGP=1 –environment unaffected of human activity.

$1 < IGP < 2$  - environment is affected of human activity, status permissible in the case of forms of life.

$2 < IGP < 3$  – environment is affected of human activity, discomfort of the life forms.

$3 < IGP < 4$  – - environment is affected, as a result of human activity, disturbed for forms of life

$4 < IGP < 6$  –environment seriously affected by the activity, danger in the case of forms of life

$IGP > 6$  - The environment has deteriorated, unfit for forms of life.

Index calculation global pollution in the case of 4 environmental factors analyzed for an industrial investment.

Note worthiness for the analyzed factors are: air- 8; for water- 9; for soil- 7; noise level-9.

The ideal status is represented by a regularly quadrilateral to the area S1.

Actual Status (real) is represented by an unregulated quadrilateral with area S2, entered in the regular quadrangle with area S1.

The index of global pollution allowed is representing by the rapport S1/S2.

General formula for calculating the Quadrilateral area:

n = the number of polygonal sides.

In the case regular quadrilateral,  $l = NB = 10$ ;

for regular quadrangle is achieved by means of calculations to general formula:

For the initially regularly quadrilateral all area  $S_i = 200$

For the unregulated quadrilateral:  $S_r = S_I + S_{II} + S_{III} + S_{IV} = 130$  (like example)

$S_i/S_r = 200/130 = 1,54$ .

In our calculus example of IGP we can say: environment is affected of human activity, status permissible in the case of forms of life because IGP is between 1 and 2.

An assessment plan may also describe more sophisticated assessment techniques that could be conducted depending on the results of initial work (Freeman, 2009). Effective planning can help to answer hypotheses at an early stage in the assessment. The environmental information collected is adequate and indicates that there is not toxicity for flora and fauna and we can built an investment in this case.

## **6. Conclusions and Discussions**

Advantages of this method shall consist of:

- provides an overall picture of the environment health status at any given time;
- allow a comparison between the different areas, with condition that, these area can be analyzed by same basis indicators;

- allows comparing the state of an area at different times, offering traceability both quality various environmental factors as well as the quality of the overall environment in the area in question;
- provides the ability to establish a direct relationship between the environment and population;
- ensure active use of large quantities of data on the environment state, obtained from the functioning of the monitoring system at the national level.

The disadvantage of this method consists of:

- limits for the indicators that characterize environment at a given time and the proportion thereof in the determination of the environment quality.
- assessment of global status in the environment quality;
- Prioritize refurbishment of areas which have been damaged by anthropogenic activities;
- orientation of some funds necessary for environmental rehabilitation.

It is very important that the managerial strategy used when it must to made an industrial investment to be developed in correlation with an complexes analyze of environmental factor affected and all of these in the context of sustainable developing of the society.

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**Socio-Economic Factors' Impact on the Offline Networking:  
A Quantitative Analysis of Albanian Business**

**Besa Shahini<sup>1</sup>**

**Abstract:** It exists so many studies and research on networks, especially on business networks, but still there is a little research which explores the factors that influence a manager's' willingness to participate in business networks. Some of the socio-economic factors that moderate this participation are explored through this paper and the focus is based on offline face-to-face networking activities between companies, especially in an Albanian context. The research findings shows how the socio-economic factors such as gender, age, position and education level, influence the participation of such a business network moderated by the personal networking behavior of an individual. The study is based on a quantitative analysis of Albanian business member of the business networks. The results suggest that these socio –economic effects are important, but they do not come first in the perception of the process. What is important, the analysis, furthermore, finds that personal behavior and attitude are to be considered as key issues when it comes to participation in offline business networks.

**Keywords:** Business networks; online/offline networking; socio-economic factors; quantitative analyze

**JEL Classification:** C8; M12; L21; O2

## **1. Introduction**

It is said that “If you want to go somewhere, it is best to find someone who has already been there.” This quote goes perfectly with what is happening nowadays. Everywhere in the world, it is difficult for a business, with many projects ongoing, to find people who know everything. Most tasks and projects within companies have a broad scope and it is difficult to have the expert knowledge about all dimensions of a project. One major approach to circumvent these problems is business networks to exchange knowledge between professionals. We are living in a digital are and more of these experience-sharing exchanges are moved to online platforms or internet-based services.

This raises the questions:

- Do offline business networks have more benefits for the participants?
- Is it face-to-face meetings still appropriate?
- Which factors are influencing the willingness to be part of such an offline business network?

So this study is an attempt to draw a simple panorama of the way how online and offline business networks can cooperate with each other, and an attempt as well to use empirical quantitative tools, in

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order to evaluate which are the most important socio economic factors which influence the offline business networks for the managers of Albanian business, based on a simple survey.

## **2. Types of Business Networks**

“Today it’s no longer an option not to have a network; it’s a necessity. Business has always been a game of trust and that’s even truer these days. We’re so bombarded with advertising we’re becoming desensitized to its messages so the power of trust and networking is growing – and why networks are so powerful. Also, entrepreneurs in start-up phases typically work alone or in a small team – it can be lonely.

It’s an incredible energy-booster and motivator to get out, meet other entrepreneurs who share the same values, the same visions, the same willingness to take a risk. And there is rarely any problem that no-one has had before! You get into a group of 10 or 200 people and there’s a high likelihood that someone there has had the same problem as you and knows how to solve it.”

Generally there are two types of business network:

1) Online network; 2) Offline (face to face) network.

Whatever the type of business be, the networking is all about relationships. It’s not just about followers, friends or business cards, it’s about connecting with one individual (manager of a company in our case of study) at a time and creating mutual benefit. This is why the online and offline networking should work together.

For so many years in the past, the networking has played a big part in serious business strategies. It makes a lot of sense to be visible and build supportive, credible relationships with key connections in the marketplace, especially when the marketplace was in the local community. But, during years, the markets grew and opportunities expanded, so it became difficult to do business profitably through the local business group alone. Networks merged with networks via key individuals and “global networks” were created (think Business Networks International and Chambers of Commerce). But besides this, the technology has advanced as well, the proliferation of communication tools has provided new opportunities to the forward thinking networker.

There are created and developed so many tools such as LinkedIn, Facebook, Google+ and Twitter, tools for the job – facilitating connections, accelerating relationship development and shortening business development cycles. So beside offline the online network is developed, they are compliment of each other, but no way do they substitute one another.

These three activities will enrich all of your relationships, both online and offline:

1. Foresight – before you meet up with a business connection, is there anything in their social media that indicates they are seeking help right now?
2. Insight – when you are with someone (whatever the environment) listens actively and keep thinking about how you may be able to help them.
3. Hindsight – follow up – the most overlooked activity in networking and the most powerful.

Networking is essential to business success, and its digital evolution means that it has never been easier for small businesses to make and develop important connections. The key, however, is to combine online networking with offline – so don’t always choose a Google hangout over a coffee catch-up.

Facebook is the main contact-point if you want to connect yourself with friends whereas LinkedIn is the equivalent but with focusing on professionals. On the other hand, the speakers invited to business networking events, themselves are part of other business networks with organizers. The better the background of the panel, the higher is the positive impression on the participants. Thereby, we can agree that online networks play with numbers; visuals and facilities (for ex. mobile applications) and offline networks stay alive and succeed by handshakes, in person interaction, trust and selective information. Networking is used as a highly effective instrument to raise the common understanding and bring new interesting issues “on the table” in between companies.

Heather Townsend (2011), differentiates types of business networking events by goods that they present on an individual or organizational level.

- The *first* type she describes is named “Events and networking that help to learn, find answers and tools to problems”. These activities ensure opportunities to learn and benefit valuable continuing professional development credits. It becomes more useful especially for high-profile industry meetings, which most of the time include target market with the innovation of many decision makers
- The *second* type mentioned is “Events and networking groups to help building community of like-minded people”. The latter is efficient when the manager lacks time for networking activities and considers these types generally as a starting point to find the next position. It is recommended to introduce yourself in as many circulations as possible. Meeting the professional goal needs you to be out of the comfort zone and these events are the appropriate ones.
- The *third* type, “Networking opportunities designed to help to increase the profile of the participants”, is seen as the group with a high degree of diversity among participants. This is the reason why it is preferred to always be prepared for the topic that the event is dealing with; you never know who you will meet and what question may they ask you.

To conclude, “networking groups designed to generate referrals” is the *fourth* type. Successful events in this category require consistency in meetings participation. Many of these groups are driven by specified rules and policies, which makes them very structured and to some extent centrally governed.

### **3. Literature Review**

The nature of networking implies people interaction, which can be perceived as a series of events that build trust among the actors and will lead to gain knowledge (Ford, 1980). Therefore it can be essential to form business networks for a firm or individual person as they are considered to provide valuable assets. These assets can facilitate acquisition of resources and knowledge, which help the firm or individual to survive and grow. (Moran, 2005).

The nature of networking consists of people interaction, perceiving it as a series of events that build trust among the actors leading to gain knowledge (Ford, 1980). Business networks are considered as assets which facilitate acquisition of resources and knowledge, which help the firm or individual to survive and grow (Moran, 2005).

Networks enable firms to obtain and retain knowledge and resources more efficiently as if they would rely on themselves in the economic context; Granovetter (1985) argued that social activities are an important factor in any action. Social networks are expected to contain valuable resources and capabilities, which are related to the firm's success (Dyer & Singh, 1998). Social networks can affect

the individual's power and influence (Krackhardt, 1993), each individual's chances to obtain an appropriate job (Granovetter, 1973) and can increase advancement potential and speed (Burt, 1992a).

Nahapiet and Ghoshal (1998) divided social interaction or relationships into two dimensions:

- The relation embeddedness;
- The structural embeddedness.

The *relational embeddedness* is described as personal relationships that have developed through a history of interactions. An important aspect of relational embeddedness is *trust*, which can reduce transactional uncertainty and diminish the risk of opportunistic behavior by partners in the network (Morales & Martinez-Fernandez, 2010) and leads to better access to resources and improves the behavior in case of unforeseen problems (Uzzi, 1996). Another important aspect of relational embeddedness is considered to be *closeness*. Ties can provide the potential for either party to access valuable resources, but the level of closeness of both parties decides whether they actually provide those resources (Moran, 2005).

In contrast to relational embeddedness, *structural embeddedness* is considered to be “the impersonal configuration of linkages between people or units”.

Structural embeddedness is perceived as the possibility of gathering information, from the firm being member of that network (Moran, 2005). There is an advantage of having a lot of diversified participants in the network, so that the diverse knowledge and pool of resources are valuable and scarce resources.

As a conclusion: trust seems to be essential to have rich relationships, where close ties are built. On the economic perspectives firms need to consider themselves in a beneficial position in the network to be able to gain knowledge, which they assume to be critical for the firm or the individual. Considering Albanians as character in comparison with other nationalities, they pay a lot of attention to trust and it's difficult for them to trust somebody. In terms of online and offline Networks one could assume that offline business networks have an advantage in relation to the prior theory because of the face-to-face contact which simplifies the process of building trust.

Research so far proposed as to be taken into consideration that some individuals are more likely to engage in networking activities than others. Forret and Dougherty (2001) found that gender, and other socioeconomic factors are related to networking behavior of managers and professionals.

Hambrick and Mason (1984), revealed that *the age* of the managers has a considered impact on the performance of the firm and moreover, they provide several reasons on why this effect is negative.

Thibaut & Kelley (1959) concluded that men see women (*gender issue*) as less attractive exchange partners, so they have traditionally more resources to offer others than women have had.

Managers (*position level*) who play important roles in the organization are more likely to be part of effective relationships (Kaplan, 1984). Managerial level positions are investigated by Michael and Yukl's (1993), who explained that the higher the manager's level, the higher they engage in networking activities because they monitor the overall environment easier and handle across functional areas more than managers in lower levels.

Besides the ability and personality traits shaped by a person during time, the culture on how a country approaches education, determines productivity and satisfaction among generations. It is not only about finding a network, but also being accepted as an integral part of it and fulfilling successfully your



duties. Furnham (2013) mentioned *ability, education* and *experience* as the needed attributes to find you in a team. Moreover, he considers education and regulations as most impacting attributes for behavior changes.

Individuals consolidate relationships through networking behavior with other individuals from external or internal parties, with whom they may have (or may not) prior common interests, but the upcoming results consist in the same degree of profitability (Barton, 2001; Fisher & Vilas, 1991; Kramer, 1998; RoAne, 1993; Wellington & Catalyst, 2001)

Forret and Doughery (2001) investigated if personal and job characteristics are associated to participation in networking behaviors of managerial employees. They concluded in a positive effect of socioeconomic features (age, gender, organizational level, education, etc.) and personal traits (self-confidence, extraversion and attitudes toward workplace politics) to the networking behavior.

#### **4. Methodology**

The main quantitative research question is focused on: ‘What impact do socioeconomic factors have on the offline business networks’ participation?’

Considering the issue in this perspective, the participation in offline business networks is considered to be the dependent variable in this case. The four socio-economic factors, i.e. age, gender, position and education are chosen to be used as independent variables. Further, to get a better understanding of the ascendancies, the mean personal networking behavior is included in this study.

In Albania, the two most well-known business networks are considered to be: Chamber of Commerce and Industry (CCI, established since 1958) and Member of Albanian Business (MAB, established since 2010). The population of the study is closely linked to the database of these business networks. In order to generalize our results, the database of CCI and MAB was considered. This database consists of different contacts holding various relationships with CCI and MAB, which need to be considered: Members, former members, non-members, trials and partners.

In order to obtain a broad picture of factors influencing the participation in offline business networks, we selected self-administered questionnaires, which are to be filled out by the respondents independently and are distributed electronically through emails. To encourage respondents to complete the survey, the layout of the questionnaire should be professional-looking, thus the Google Forms was used as a service provider since this service is free of charge, easy and quick to administer and offers professional templates. From 220 email contacts, 180 opened the email and 142 responded, so the overall response rate is 64.5%.

The questionnaire was split-up into four blocks. The first section gives a brief and precise introduction to the research topic and why it is necessary to study this relationship. This part is of high importance in order to increase respondents’ interest and accordingly achieve a high response rate (Dillmann, 2007). The second block deals with the respondent's company-level data, namely location, size of the company and the nature of the company’s industry. The third block refers to the data of the respondents, e.g. gender, age, position and education, which directly links to the four mentioned socio-economic independent variables. This leads to the fourth block, the assessment of the respondent’s individual networking behavior when

it comes to offline business networks, firstly on an individual level and secondly on a company level.

## **5. Data Analysis**

The questionnaire contains open and ended questions, and it is provided categorical and numerical data, translated in variables, for numerical data, the discrete data is considered.

The dichotomous data were considered the variables of: gender (M/F), participation in offline business network (Yes/No), the numerical data is: age, while the categorical ones are considered: the education and the position. The “position” is grouped in five categories: assistant manager, general manager, senior manager, board member, director). This is based on Lewis (2015) approach to divide into low-, middle- and top-management and develops a distinguished perspective between board members and CEOs. The “education level” was grouped into: High school diploma, Bachelor, Master, Doctor or Professor.

The “mean personal networking behavior” is included as another independent variable using the previously validated scale by Forret and Dougherty in 2001. It consists of four five-point Likert scale items which measure how actively respondents behave in different offline business networks in terms of attending social activities with professional relevance, engaging actively as a speaker in these kind of events, participating in community activities, and engaging in networking activities to increase internal visibility within the company.

The main analysis consists of a binary logistic regression model, as the selected dependent variable is of a dichotomous nature consisting of two categories: The participation in offline networks (yes or no) according to our definition refers to the two-category outcome that should be predicted through the socio-demographic variables age, gender, position and education. By doing a sequential regression analysis it is further analyzed whether the mean personal networking behavior has an influence on the model. The analysis was performed using SPSS (Statistical programme for social science).

The mean values and correlations are displayed in Table 1. The average age of our sample is 41.9 and male and female respondents are equally distributed with a mean value of .43 (56.4% male; 45.4 % female). The majority of respondents, e.g. 68,2%, is holding a Master's degree and 25.4 % are holding a Bachelor degree. Moreover 47.4 % of the survey participants deviate from the high-level management, 43.2% from the medium-level management and 9.4% from a low-level management.

A first correlation analysis indicates an association between age and the Supervision ( $r=.211$ ;  $p<.05$ ) and between age and years (Duration position) within the position (Duration position) ( $r=.361$ ;  $p<.05$ ). This is supporting the general assumption that the older the age, the higher the position held and the more the years within that position, so it can be said that the level of the position and years within a position are increased by age.

**Table 1. Basic descriptive statistics**

<i>Construct</i>	<i>M</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>14</i>	<i>15</i>
1. Location	3.2	1.11	1														
2. Company size	2.6	1.48	-.2**	1													
3. Industry	6.2	2.88	.11	-.11	1												
4. Gender	.43	.52	-.07	.12	-	1											
5. Age	41.9	9.45	.2**	-.08	-	-.18	1										
6. Education	2.6	.9	-.16	.06	-	-.08	.13	1									
7. Position	3.2	1.3	.1	-.03	.04	.07	.14	.11	1								
8. Supervision	4.2	11.4	.03	.06	-	-.1	.2**	.2*	.09	1							
9. Duration position	4.2	3.76	.06	-.13	.02	-.07	.3**	.03	-.07	.04	1						
10. Affiliation	.75	.32	-.04	-.11	.18	-.08	.04	-.11	.29*	-.04	.42*	1					
11. Org. support	3.1	1.1	.08	-.02	.2*	-.03	-.14	-.04	.09	.03	-	.28*	1				
12. Supervisor's support	3.3	1.14	-.03	-.08	.14	.39*	-.03	.07	-.04	.03	.08	.14	-	1			
13. Time availability	2.8	1.1	.11	-.16	.2*	-.03	-.02	-.07	.04	-	-.2**	.3*	.51	.07	1		
14. Budget	.88	.9	-.2*	.2**	.03	-.2**	-	-.08	-.04	-.03	.08	.08	.01	.02	.07	1	
15. Mean networking behavior	3.4	.81	.22	-.16	.14	.04	.12	.09	.2**	.13	-.08	.39	.3*	-.12	.4*	-.16	1

*Sample Size 142    \*p<.1    \*\*p<.05*

Source: Author's calculation

A binary logistic regression is established to predict the effect of the socioeconomic factors of the respondents on the participation in offline business networks. So we can say that neither gender (b=-.38; p>.1), nor education (p>.1), nor age (b=-.014; p>.1), had a significant influence. On the opposite we find out that position has a weak significant association with the affiliation in offline business networks (p<.1). In particular position 2 and 3, e.g. general manager and senior manager, are more likely to participate (position2: b=1,818; p<.05; position3: b=1,894; p<.05). Than respondents holding an assistant or executive position. So, there is a correlation between job position and participation in business offline networks (POBN) but it is not of positive nature as assumed. Instead, the correlation is u-shaped which may be due to other influencing factors. Thus, we can conclude that compared to assistant managers, general managers have 6.2 times higher odds and senior managers have 6.67 times higher odds to be part of an offline business network. On the other hand, directors and board members have lower odds (1.97 and 1.88 respectively).

**Table 2. Logistic Regression analysis**

<i>Variables</i>	<i>Participation in offline Business Networks ( POBN)</i>			
	<i>M1</i>		<i>M2</i>	
	<i>b</i>	<i>Exp.b</i>	<i>b</i>	<i>Exp b</i>
<b>Indipendant Variables</b>				
<b>Age ( A)</b>	-0.014	0.991	-0.014	0.991
<b>Gender (G)</b>	0.38	1.462	0.36	1.42
<b>Position (P)</b>				
<b>Position (P1)</b>	1.818**	6.23	1.763**	5.793

<b>Position (P2)</b>	1.894**	6.67	1.692*	5.87
<b>Position (P3)</b>	0.68	1.976	1.365	1.387
<b>Position (P4)</b>	0.611	1.883	0.356	1.451
<b>Education (E)</b>				
<b>Education (E1)</b>	0.567	1.823	0.374	1.453
<b>Education (E2)</b>	0.682	0.398	-0.72	0.54
<b>Education (E3)</b>	-1.134	0.285	-1.578	0.234
<b>Mean personal network behavior (MPNB)</b>			0.628**	1.892
<b>Nagelkerke R<sup>2</sup></b>	<b>0.27</b>		<b>0.295</b>	
<i>Sample Size 142 * p&lt;.1 ** p&lt;.05</i>				

Source: Author's calculation

Adding our socioeconomic variables as predictors into the model, the Omnibus Test of model coefficients accounts for a Chi-Square of 17.44 on 9df, weak significance at 10% level, which stating that there is a slight difference to our null model. This results in partly rejecting our null-hypothesis, that socio-economic factors do partly significantly influence the affiliation to offline business networks. The pseudo R-squares, Cox & Snell R-square and Nagelkerke R-square, also give acceptable values (.155; .27 respectively), which means the proportion of variance explained by our predictors is 27%. Nevertheless it needs to be pointed out, that these R-square are not a true measure to assess the goodness-of-fit, but they may be useful for the evaluation of competing models (Hosmer, 2013). Additionally comparing the observed and predicted values by the model of the dependent variable does indicate a slight improvement by 3% from 64 to 67%.

Moreover we could have used the Hosmer and Lemeshow goodness-of-fit test, but we did not apply this test due to our small sample size, which would have biased our statistics. In this respect a sample size of more than 500 would be appropriate to give a more meaningful outcome (Hosmer et al., 1997).

From the conceptual framework, we included the mean personal networking behavior (MPNB). To analyze the effect on the model, the mean networking behavior is treated as an independent variable in the Model 2. The overall Cronbach-Alpha value to assess the reliability of the scale of .810 leads us to being able to use the MPNB as predictor variable. The outcome of the logistic regression gives us a medium significance of the MPNB (b=.628; p<.05) which the last hypothesis. As a result the odds of participating in POBN are 1,892 times higher, if your score increases by 1 unit.

The improved pattern quality of our model also represents the strong influence of the MPNB in participating in offline business networks. The Chi-square of MPNB the Omnibus test is 5.213 beyond a medium significance level of .05, adding up to a total Chi-square of 22.543 with 10df.

According to the goodness-of-fit test, this predictor increases the model quality (i.e. the value of -2 log likelihood is reduced comparing with model 1 and a higher Nagelkerke R-square (.27 and .295 respectively).

In order to verify the findings from the first sequential logistic regression, there are created dummy variables. The age was split into two dummies, e.g. below 40 and above 40, and grouped them into categories (20-29, 30-39 etc.) but did not achieve a significant influence.

Further, the years within the position is included as a dummy variable to confirm the influence of position on the participation in offline business networks. The responses are spread into below 4 years and above 4 years (being the mean years within a position of our sample) and got a (b=1.763; p<.5) for being longer than 4 years in a single position. Besides, dummies are tested to confirm the findings that position has an influence on the POBN. For this, the positions were grouped into lower- middle- and top-management (lower being assistant managers, middle being general and senior management, and

top being directors and board members). The results we get support the findings of the model 2 analysis with lower management of a b-value=-2.542 and being highly significant (p-value<.05) and results for the top management of a b-value=-1.754 and p-value<.05. On the other hand middle management and thereby general and senior managers results in a b-value=1.412 being highly significant (p-value<.05).

## **6. Conclusion**

Networking is about interacting with people and engaging them for mutual benefit. It can help you establish a new business or grow an existing one. You can also use networking as a tool for finding investors, customers, staff, suppliers and business partners with minimal cost to your business. You can network face-to-face at social events, conferences and through industry associations. You can also network online, through sites such as LinkedIn and Facebook. The more ways you can network, the more your business will benefit.

Still Albanian business, is fanatic to tradition offline (face to face) networking, even though a lot of progress has been done in the online one. Being a Mediterranean country, face to face relations are still very traditional and respected so this study is an attempt to evaluate the impact of socio economic factors affecting the offline business networking.

As shown through this study conducted with an internationally spread survey and the logistic regression analysis of the data, socio-economic factors such as age, gender and education do not have a strong influence on an individual's participation in offline business networks. As the first model is analyzing the impact of the socio-economic factors, one individual's job position is the only factor having a significant influence on the dependent variable namely participation in offline business networks. When adding the personal perspective to the regression, the model improves itself, giving significance to the MPNB on the participation in offline business networks. Thus, personal networking behavior such as actively attending social activities with professional background and taking speaking engagement are more important than factors such as age and gender.

Finding out, that middle-level management positions tend to be more willing to participate compared to low and high-level managers lead to the assumptions, that several factors may influence the impact of the job position. This could be due to constraints in support and available time, which is connected to the job position. As these factors are very sensitive, a more appropriate way to dive deeper into this topic would be by considering this fact within a qualitative study.

The quantitative study detected that there is no correlation between the socioeconomic factors age, gender and education on the participation in offline business networks. To further dive into the reason, why these factors did not give a significant correlation and which other variables might play a role, this study can be an initiative to undertake a further qualitative analysis on this spot.

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THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
**EUROPEAN INTEGRATION  
REALITIES AND PERSPECTIVES**

**The Association Policies and Economic Integration of the Republic of  
Moldova into the EU and their Alternatives**

**Gheorghe Rusu<sup>1</sup>, Mihai Bumbu<sup>2</sup>, Cernăuțanu Igor<sup>3</sup>**

**Abstract:** The policies and decisions of association and economic integration of the Republic of Moldova into the European economic social system have a pseudo-scientific, contradictory, fragmentary character. The implementation of these policies of association and European integration, beginning with the '90s and so far were not based on the principles developed and promoted by the modern and current economic growth theories and on the Association Agreement of the Republic of Moldova to the EU. All these actions of the government has led to the stagnation of the process of association and national economic integration into the EU, the deepening of instability and imbalances in the local economic system, to the increase of the level of vulnerability and to social constraints in comparison with EU countries. The results of the economic policies carried out in the years 2000 to 2015 confirms that from the point of view of social-economic development and the level of Association and economic integration, the Republic of Moldova is found more in the achievement of small and fragmented steps of conception of economic-financial integration instruments, reflected in modern and current economic theories. These processes have led to the inability of the State as to define its own objectives and priorities of development and socio-economic integration, as well as legitimized a continuous transition integration condition to the developed European economic market.

**Keywords:** association and economic integration; imbalances and balances; crisis; recession; competitiveness of the national economy; sovereign risk; internal threat; Moldovan-European relations

## **Introduction**

In this article is proposed a real change of the development policy and socio-economic integration of the Republic of Moldova into the EU in perspective, namely: highlight and implementation in policies and decisions of association and economic integration of the principles put forward by the neoclassic and neoconservative synthesis theories. The association policies and economic integration promoted by these theories serve as basis for monitoring and coordinating the strategy of Moldovan–European economic integration and anticipation of imbalances and economic stabilization, in order to minimize the effects of global and regional crisis on the Republic of Moldova, for adaptation of association and integration policy to national socio-economic conditions. It is also necessary to implement a system of actions to facilitate the integration of productive consumption, of the technical progress and the growth of labor productivity, as well as attracting foreign investment in interactionist priorities for innovation development of the country's economy. These assumptions arise from scientific analysis of the conditions that contribute to the expansion of the economic recession in the Republic of Moldova and from the study of main factors affecting the sustainable economic growth.

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The specific of policies and economic development decisions, association and integration of the Republic of Moldova into the EU is determined and based on the theory of economic growth and pseudo-scientific economic integration. Such theories and policies include:

- constrain of the rights of private property and freedom of development and integration of economic entities;
- oligarhization and monopolization of regulatory institutions and of the economic circuit;
- reduction of socio-economic relations, of the Moldovan-European integration relations and the market; a
- development and economic integration based on consumption and provided by remittances.

This trend noticeably has increased the unproductive expenditures, pensions, has introduced a series of social facilities, has admitted direct involvement of the State in the real economy and has led to the oligarhization and monopolization of the economic potential, to decrease of collections and investments in real economic sector, to growth of inflation and limitation of revenue already obtained at considerable compression of the local economic potential, to deepening of imbalances and of the socio-economic crisis, to essential depreciation of the national currency and decrease in the purchasing power of incomes of the population, to increasing of pauperism and poverty. The highlight of effective directions of association and economic integration assumes exceeding the global economic downturn in the years 2007-2009 and prevention of economic and financial crisis succeeded at regional level, including in the Republic of Moldova. All these render the actuality of implemented principles developed by the modern and current economic theories in policies and decisions for development and integration of the domestic economy into the EU. The analysis of economic policies and the systems of economic integration of mixed market formed based on science and economic theory does not bear just a purely theoretical character, but implicitly supports the implementation of certain policies of renovation or correction of negative elements from the existing national economic system, especially as relevant measures in preventing or overcoming the economic recession. The fact that for the Republic of Moldova, science and economic theory became current, actual and the unique chance and the < lifesaver > for decision-makers, is demonstrated by the new rules set at international level in some cases comparable with establishing the gold standard as reference standard after the second world war. As balancing measures of the economic systems can be maintaining the limits set by the IMF for the Republic of Moldova for the financial policy, the budget deficit, or new arrangements in the Association Agreement with the EU on the regulation of the banking system, fighting corruption, demonopolization of the economic circuit etc. The researches made out have shown that practically the economy of the Republic of Moldova, as part of the global economic system, but without association, admission and organic integration to EU structures, is and permanently will be at exposed to geopolitical risks, to regional economic crises, financial, monetary and social crises. At the same time, the specifics of science-technical and domestic economic progress will be all the time modest and slow in comparison with the EU, and the socio-economic situation will worsen still further, if the Republic of Moldova will not appreciate firmly with its position between the two systems and geopolitical forces diametrically opposed. The oscillation and failed handling between these two geopolitical forces of governors and the implementation of policies and economic opportunity decisions in the national economy have resulted in increasing the economic instability and to socio-economic disproportions, to increase of the level of vulnerability caused by internal and external factors, to permanent appearance of social constraints as a result of decrease of the domestic economic potential.



Basic content. The economic-scientific policies in conditions of recession must include mechanisms and regulatory monitor and correction concerning the association and integration of the Republic of Moldova into the UE and anticipation of imbalances in Moldovan-European socio-economic relations. These policies and mechanisms should be based on theories of economic integration, the Association Agreement so as to achieve the balance of Moldovan-European economic interests and relations and the creation of preconditions for economic development and admission of the Republic of Moldova into the UE. The social and economic imbalances and disproportions comprise and affect the most sensitive and important element of the economic integration system, including the real sector of integration of the economy, of the entrepreneurship system. Considerably is affected the possibility of integration of the small and medium business into the European. But the most crucial is affected the integration system of individual enterprises, family, farmers, because the possibilities of the State to support these categories of enterprises in crisis conditions are very limited. The monopolization, oligarhization and capture of the State has the permanent imbalance of the Moldovan-European integration relations, including the political, socio-economic and monetary, which now present a social danger, not only the association and integration of the Republic of Moldova into the UE, but at all the national interests and security of the State. A strategy should be developed for monitoring and coordinating the removal processes from capturing the State institutions, the association of State after EU countries model, and in the first place, Romania. This strategy may include the monitoring of imbalances, demonopolization and deformations in the Moldovan-European relations through prevention and correction, through Moldovan-European coordination of the monetary field, fiscal and structural reforms (see scheme 1). In the national economic system since 2000 there has not been a single Moldovan-European organ for monitoring of imbalances, demonopolization processes, partnership, association and economic integration of the Republic of Moldova into the UE.

The Communist Party having the constitutional power “cut” the already functional legal system, including, law on financial institutions, law of the budgetary-tax process, decisions of the Government and the Board of BNM etc., with the purpose: to limit the process of democratization and liberalization of economic relations and private property. At the same time have stopped the processes of association and national economic integration with the EU once with monopolization of the economic system, including the credit system, the Government has borrowed and “wasted” 9 billion from BNM which constituted 60 % of the money in the economic circuit. For centralizing the economic circuit, the governance has changed the procedure of formation and execution of the budget for the allocation of funds to those territories, where the Communists were in power; the Communist Government has stopped the process of democratization and decentralization of the power and cancelled the law on forming Counties and returning to district party structures and their illegal funding. At the same time, have been monopolized the economic relations by reviewing the results of privatization, including in the banking sector, turning the Banca de Economii a Moldovei into State governance through which they can be able to steal billions. Have been taken a number of decisions that led to macroeconomic imbalance (for example all public utility payments, taxes, pensions, government credits, grants should be made through BEM placing the other banks in unequal conditions in terms of fair competition.

All these and other actions of monopolization of the socio-economic system distorted the Moldovan-European relations and have stopped the processes of association and integration of the Republic of Moldova into the UE paving the way for oligarchs from the governing Alliance to monopolize the economy and to steal more and more through BEM. “Cutting through legislation”, the governors from the Alliance have “untied the hands” as to executive and control institutions to respond directly and criminally for unlawful expropriation, to monopolize and then oligarhize and capture the State, for

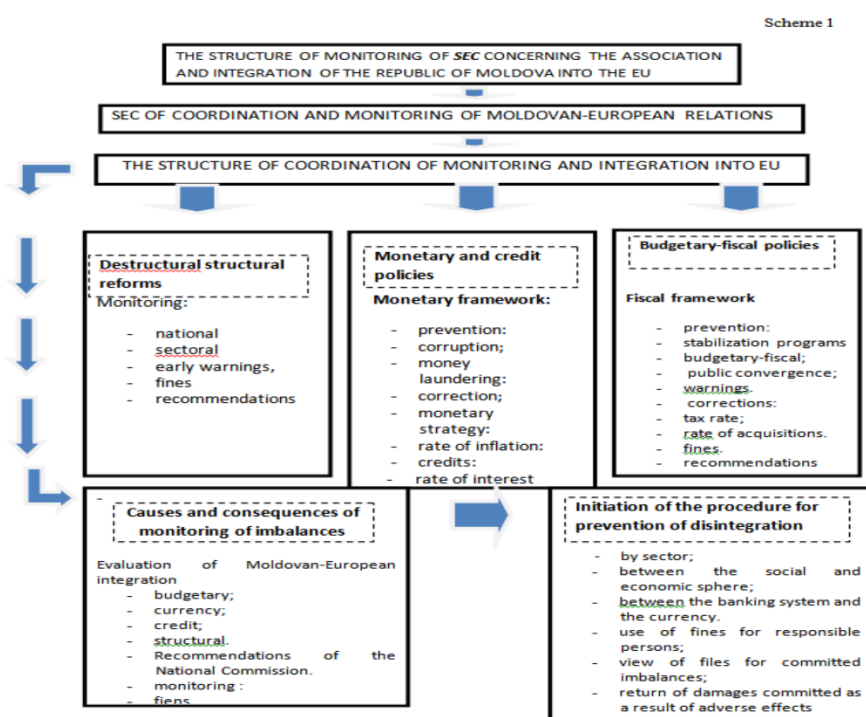
stealing billions by the oligarch power and for stopping the process of Association and integration into the EU.

Therefore, beginning with 2009, given political cover, State institutions “steamed” and imitated the fight with corruption, informing each other about the progress and combinations of monopolization, oligarhization and capture of State, about raider attacks from banking system, stealing of billions of Euros from BEM and other banks and insurance companies, but nobody could monitor and stop these disastrous processes for the country and, there were no prompt and definitive mechanisms to cease the misconduct process of governance from the vector of association and European integration, to steal further and to capture the State's economy and politics.

For stopping these fatal processes and to encourage the processes of association and European integration it is necessary in the context of the Constitutional Court, which deals with the control of carrying out legislation, monitoring, prevention, correction of imbalances, political priority between Parliament, Government and Presidency, to create a Constitutional-Economic Subdivision -- (SEC), which functions would be the monitoring and coordination in complex of the processes of deoligarhization and retaking the State. At the same time SEC will monitor and coordinate the association and European integration in conditions of economic imbalances, and, in case of deviation of power from the principles of science and economic theories and causing instability, including in Moldovan-European social-economic relations, to urgently stop such negative acts, receiving decisions of final correction. It is important that in committing the monopolism, oligarhization of imbalances, including in association relations and economic integration to the EU, people responsible to be sanctioned by the SEC and to be held liable in front of Justice for committing such imbalances and Moldavian-European decays and to repay the damages committed. For this it is necessary to perform appropriate and timely changes in legislation. Rapid changes in certain fields, in conditions of market economy, causing the deepening of imbalances in the Moldavian-European relations, permanently should be supervised and prevented by the Constitutional Economic Subdivision through accelerated and adequate changes in legislative system. The structure and functions of monitoring and coordination of the processes of association and integration to the EU and forecasting of imbalances in Moldavian-European relations and the European Constitutional Economic Subdivision are reflected in below schema. At strategic basis of governance of deoligarhization and demonopolization, of SEC for monitoring of imbalances and reductions in the Moldavian-European relations may be the modern and current economic theories and principles of Association Agreement which will take into account various types of balances, including: the doctrine and the balance of the Moldova-European markets, including financial-monetary; market balance of integration of production factors and the market of goods; integrating labor markets and their balance conditions etc. A particular attention shall be paid to the general imbalance theory and models of balance and economic integration. Within the strategy should be taken into account the general balance theories and especially the models of balance of Moldovan-European economic relations, including Walras-Wald and Arrow-Debreu-McKenzi models. SEC and governance in its activities must be lead by the fact, that in the past three decades have appeared more complex and sophisticated currents of the general imbalance that needs to be highlighted and avoided in the association and integration process of Moldavian-European relations. The contemporary neoclassical system includes different currents, starting with the current of general balance of J. Keynes, K. Arow and the monetarist current represented by M. Friedman and S. Fischer and ended by the rational expectations current of J. Buchanan; the “new macroeconomics”, current etc. In the context of theory and general balance policy is necessary that government and SEC to emphasize and realize, in the process of association and integration of the Republic of Moldova into the UE, the component parts of this theory and policies, such as: multiplicity of balances and problems

of balance; the elimination of restrictive hypothesis, the strategic interaction between agents; theory of games, etc. Balances or imbalances in Moldavian-European relations with impact on development and economic integration can be used by the government and SEC based on the report and deviations from optimum between the aggregate demand and aggregate supply; between the global product and monetary mass which put in motion this product, between the national expenditure and revenue.

The most significant imbalances in the national economy that is necessary to be taken into account in the process of association and Moldavian-European economic integration are the disproportions between the Moldovan currency and the necessary volume of foreign exchange reserves of the State as a result of the theft of billions of foreign currency from BEM, which has caused the essential devaluation of the Moldovan leu and decrease of purchasing power; stagnation of production and contraction of the real sector; inflation and respective, the sudden increase in the consumer price index from domestic goods, unemployment and intensive migration from the country of the labor force.



**Scheme 1.**

In case SEC does not monitor and does not anticipate the deformations of the Moldovan-European relations and political, legal, social abnormal and antisocial imbalances, then takes place social and political tensions (for example, social and political events of 7-8 April 2009 in the Republic of Moldova). Currently, due to monopolization, oligarhization and state capture and socio-economic instability and deviations from the association and European integration course, political tensions and contradictions between the Government and civil society have reached the apogee transforming into antagonistic contradictions. As a rule, oligarhization and state capture, socio-economic imbalances and deviation from the European vector, is characterized by forced change of state power, through the deepening of economic recession, essential increase of budgetary expenditures beyond the level of budgetary incomes that generate increasing of tax pressure over the population (e.g. the steal of billion must be paid by population, by one billion lei annually) and economic agents, extending the monetary mission without coverage, inflation, decrease in consumer purchasing power and respective the decrease of consumption. In this case takes place the labor market imbalance, the social instability

between supply and demand of employment and unemployment. In general takes place the institutional instability that generates imbalance in the system of implementing the European programs and allocation of funds between the central and local public institutions, increase of the level of monopolization and oligarhization of the production, trade, banking system. The SEC and the government in its activity should take into account the fact that the Moldovan-European relations imbalances and trends towards economic balance is expressed in geometric series, and in time, in relation to the levels of aggregation of the national economy; depending on the contents of economic processes and the expression of economic results. At their basis lies the deformed system of relations of production, exchange, distribution and consumption, various economic sectors and branches, operating outside the optimal system of economic and legal functioning. The government must take into account the use in its activity of the theories of economic imbalances beginning with XV century, which are very diverse and are reflected in conceptions and models of various economic schools. It is necessary to take into account, to select and implement the strategic visions of some economic currents on policies of overcoming economic imbalances and deformations in socio-economic system of Moldavian-European relations, namely: European liberal policies involving the balanced development of economy based on private property development, on mechanisms of free competition on market, policies of offer, non-interference in the private economic activity, supportive of free initiative: - policies of dirigisme or policies of balance, based on actual applications, involving indirect State intervention and emphasizing on global demands; social-democratic policy of economic balance supposing a growth mechanism based on special consumption through direct involvement in the social economic system of the elements of planning, to reduce social inequalities through advanced social protection and facilitating of social subsidies; - equitable development policies of the economic system in accordance with social policies consisting in limitation of activity and freedom of economic agents in times of overcoming of the economy, the increase of the influence and State role in the socio-economic life, limiting the speculative activity in the economy, reforming the system of distribution of budgetary revenues for vulnerable social strata.

It is also useful to consider that the theories and models in the field of reproduction of the economic balance and the development of association relations and Moldovan-European integration have evolved in time, depending on the dynamics of economic reality and the evolution of the elements of economic analysis. Here are considered the two trends of theoretical and practical opinions regarding the economic balance and the overcome of disproportions in the Moldovan-European relations. The first trend is the research of balance and short term association and on a static background of economic processes. In this context, the problems of overcoming the disproportions and integration into the EU will be reduced to the development of a competitive market and the adoption of a series of laws provided for in the Association Agreement that will solve the problems of balance, association and integration of the Republic of Moldova into the UE, and economic crises are regarded as accidental phenomena. The second trend lies in researching the problems relating to disproportions and immanent imbalances of socio-economic systems. Thus, it has emerged and developed the theory of disproportions and the socio-economic imbalances as an alternative to the theory of economic balance. Above the salt of SEC and governance must be retrieved the concept of J.M. Keynes concerning balanced development that represents a macroeconomic model, according to which, the national income grows in response to increased equivalent of the aggregated demand. The GOVERNMENT and SEC must use the new concepts of Keynes related to the balanced development and respectively, integration into EU by stimulating the consumption and investment, dirigisme, which have played an important role in formulating the balance policies. Also, it should be taken into account that in the early' 40s, R. F. Harod, I. Essay and E. Domar have developed the Post-Keynesian models, later

characterized by a concern for economic stability and unemployment. The Harrod-Domar model is a balanced economic development model of Moldovan-European relations that highlights the role of investments seen as aggregation and as a component of the aggregate balance; incorporates an easy function for acceleration of investments based on the expected real incomes. After such model of balance and association, the capital expected coefficient ( $V$ ) is constant, as a result of an assumed constant interest rate on long term; economies have a constant share ( $s$ ) in real income; labor force grows with an exponential rate ( $n$ ) exogenously determined; the growth rate of labor productivity, which can be effectively increased through the technical progress ( $\lambda$ ).

By realizing the concepts of overcoming the economic crisis, the government and SEC will include in its orbits the main final objectives and ways of monitoring and realization of the integration process of the local economic system into the European by use of policy of overcoming the disproportions and balanced development. At the same time, should be taken into account the exogenous factors such as conditions of global and regional financial and economic crisis, open and competitive market, the adjustment to the EU economy and European standards. Results. The specificity of analysis of the pseudo-policy growth, the European economic association and integration focuses on the synthesis of socio-economic theories and policies, monetary, budgetary-fiscal, investment, structural, etc., implemented at the national level. The main feature of national economic system lies in oligarhization and capture of State institutions, perpetuating the association and integration of the national economy into the EU and using double standards in the achievement of the Association Agreement with the EU and the creation of a monopolist system of the market economy, the deformation of main criteria and the Moldovan-European relations of market economy at various levels of implementation. The local economic system has passed through various stages of economic growth and association and pseudo-European integration, but the most opportunistic was the stage in the period of governance of the left force/PCRM/(2001+2008) and the other (2009 + 2015)- the government of the pro-European forces with neoliberal economic and social-democratic policies. Although the growth policies on surface were diametrically opposed, for both stages of development and association with the EU, is characteristic a European economic integration based on extensive priority development, which is incompatible with the development character of the EU. Concluding from the analysis of macroeconomic indexes in these periods, including, the production function between the "labor" factor, and "capital, we find, that efforts in national economy growth and association were extensive and larger than the effects obtained. During this period, the national fixed productive capital increased by 3.8 times, labor productivity and capital increased by 3.6 times, average wages increased by 3.8 times and nominal GDP increased with slower growth and increased by 3.3 times. The diminishing of the effective workforce in the years 2000-2015 in average by 2.5% annually has essentially and negative influenced the effectiveness of development potential and economic integration into the EU. The negative migration trends, the decrease of the activity rate in economy from 60% to 40%, has "eroded" the GDP growth, from part of labor and increase of capital and productivity, because this increase priority extensive is insufficient to ensure in future a durable dynamic development, balanced and convergent towards European integration. According to the results of the analysis, we note that the specifics of the pseudo-scientific policy of development, association and European integration based on consumption, over the past decade has caused an inefficient increase in the nominal GDP by 4.5-5% annual average, using investments for quantitative replacement of the existing productive capital, possessing an essential physical and moral wear. The more rapidly increase in average salaries and fixed capital than labor productivity (average wage and productive capital grew with 7.1% respectively and 10% annual average, and labor productivity only with 5%) constrained the local

economic potential, “eroded” financial resources and collections of economic agents and population, increased economic and social disproportions in the domestic sector towards the European.

The budgetary-fiscal mechanisms made in the Republic of Moldova as component part of the pseudo-association policy and European integration during the transitional period were manifested through an inconsistent political, contradictory and ineffective character. In the years 2005-2015, the deficit of the National Public Budget has grown essential and peaked in 2015 the apogee in a volume of about 2.0 billion lei, which is 4.7% of BNP income. At the same time, because of the local economic situation and financial failure (national finances constitute one-third of GDP), the Republic of Moldova had to attract loans from foreign market, such as those provided by the IMF. Although these loans are granted to concessional repayment terms, with an interest rate up to 1% and period of grace greater than 10 years, the effect of these loans was minimum for the actual development of the economy since were imposed tough conditions and essential strict and ill-spent constraints for the need to maintain the national financial-budgetary stability. The system of constraints is expressed in restricting by limit the financial, monetary and budgetary indicators introduced by the IMF such as: a) the ceiling on total cash deficit; b) the ceiling on net assets of BNM; c) the minimum level of net international reserves stock of BNM; d) the ceiling concerning contraction or guarantee of non-concessional external debt by the Government of the Republic of Moldova; e) the ceiling concerning the accumulation of arrears in external payments; f) the ceiling on the monetary situation; g) the ceiling of internal expenditure; h) the ceiling on payroll; i) the level of social expenditure; j) the ceiling by limit of the budget deficit in percentage from GDP; k) the ceiling of the inflation level. These and other factors have resulted in the incapacity to adopt radical and effective reforms for economic growth, making effective structural changes for association and integration to the EU on medium and long term. At the same time, it has restricted the possibilities of further attracting, over ceiling, of other investment resources for real innovation in priorities and expenditure in infrastructure.

A special peculiarity of the national system of association and free trade with the EU is that this system of association and integration into the European market economy is made in conditions of an essential deficit of financial resources (the average share of bank loans into the economy for 2005-2014 accounted for about one-third of GDP) and with a considerable loss of income from economic agents and population. The situation is even more alarming if we take into account the substantial increase in interest rate and the sharp and essential decrease of the purchasing power of these resources in 2014-2015. (see the National Strategy of Development of Moldova, 2020). The situation with intermediation and financial stabilization in the 2015-2016 is even more alarming because once with the increase of interest rate essentially decreased the volume of monetary mass in economy (especially in small business system) and money does not “manage” to serve the real economic circuit of European economic integration. As a result fails the small business (in 2010-2014 went bankrupt 15.4 thousand enterprises). At the same time, increases the volume of shadow economy, resulting in favorable conditions for expanding the economic instability and reducing the real legal sector. The situation in the economy will be alarming, if we consider, that the speed of movement of money increases, and the insufficient share of money in circulation (average rate of money in circulation in 2005-2015 amounted to 13.4% in GDP), that in 2016 has a tendency of essential decrease. Only in July 2014 up to April 2015 money in circulation decreased by 2.7 billion lei and constituted to 15.4 billion lei, the monetary base decreased by 3.7 billion lei, and the rate of mandatory reserves increased by 4% (BNM data). For sustainable economic growth, real association and integration of the economy of the Republic of Moldova into the UE, we propose the immediate change of the apolitic economy, including monetary, the increase of the amount of credits in priorities within a relatively short period,

by 2.5-3.0 times, decrease of the interest rate from 18% to 2%, which will allow to increase the volume of circulating assets necessary for normal development and European integration of priority branches and increase of efficiency in economy, and respective, the increase of the real GDP and the development of Moldovan-European socio-economic relations. If this volume of credits of priorities will be covered by an increase of exchange reserves and, supported by the EU, then there will not be registered an essential increase of inflation but a considerable increase in prices. The growth of lending rate of economy, lowering the speed of rotation of money and essential increase of investments and remittances in priority branches-all in line with the reform of budgetary-fiscal policy and the business environment and institutional will create conditions to stop the economic recession, development of Moldovan-European relations and real integration of the Republic of Moldova into EU family countries. In the process of radical and accelerate changes of Moldovan-European relations will decrease the volume of exports and imports and will have as result the regional trend of reducing productivity and living standards of the population, but it will not be based on domestic factors of discouragement of domestic producers in the way express and unconscious as it is made in present time. At the same time, the forecasted results of recommendations proposed for association and European economic integration will be possible and efficient in conditions of maintaining flexible the main macroeconomic indicators, such as the consumer price index, inflation, monetary indicators, current account deficit and internal and external public debt. The stability achieved in the private sector, facilitating the regulatory mechanisms in business, increasing the volume of investments in key-sectors of the economy and de-bureaucracy of the administrative system will lead to maintaining positive trends of macroeconomic indicators and, consequently, to limit the distortions of the market and speed up the process of European integration and association.

## **Conclusions**

The national economic policies, for overcoming the economic recession, for social-economic integration to the EU, adopted and carried out by the economic actors have proved inefficiency because they were not based on principles developed and promoted by economic and scientific currents and the Association Agreement of the Republic of Moldova with UE. Overcoming the economic recession of the Republic of Moldova, quickening the process of European economic integration and association, have revived the need of implementing certain renovation policies or correction of the negative elements created as a result of deviations from the principles of economic science, modern and current economic theories and the Association Agreement with EU.

It is found out the necessity to elaborate and adopt a Strategy for monitoring and coordinating the association and economic integration of the Republic of Moldova into the EU, anticipation of imbalances and socio-economic development, which would serve as a program to overcome the period of economic instability. This recommendation entails the assessment of conditions of economic recession and deformations of Moldovan-European relations which have led to previous economic crises, such as: adaptation of anti-crisis policies and economic integration to national socio-economic conditions; highlighting and implementation of the principles put forward by the neoclassical synthesis and neoconservative theory and by the Association Agreement with the EU as basis of the Strategy for minimizing the effects of global and regional crisis over the Republic of Moldova. It is also necessary to implement a system of actions to enhance the productive consumption, as well as attracting foreign investments in the priorities of development and integration of the economy of the country in the European economic system.

We propose that in the Constitutional Court to create a Constitutional Economic Subdivision for monitoring, coordination of association and European integration, and the anticipation of economic imbalances Reforming of the structure and State functions, putting the main emphasis on implementing the Strategy of a medium and long term, on judiciary reform and fight against corruption, especially in the banking system, ensuring transparency and accountability towards the new structure of the State and the economy, and the new implemented procedures. At the same time, to provide confidence to population in the democratic system and its own rules, such as the right to appeal or the right to information. Carrying out the necessary reforms, definitive passing from a mixed economic system of the Moldova-European market, whose role is to promote the climate necessary for diffusion by power and development of economic agents from Moldova and the EU, and related activities. Establishing the regulatory framing which will facilitate and simplify licensing procedures, foundation and bankruptcy of enterprises; Reform of socio-economic system and its adjustment to social welfare losses through the protection of the most vulnerable people strata, at the same time, optimizing social and economic proportions of the Republic of Moldova and UE.

Creating a stable macroeconomic environment by redefining the role of government agencies who are concerned about the association and integration policy of the Republic of Moldova to the EU in the economic domain, including monetary-credit and financial in this context, granting a role for BNM to exercise independently its functions of monetary policy implementation and monitoring of foreign exchange processes. The Ministry of Economy and Ministry of Finance would be necessary to waive on granting of credits and exchange rate control. On the other hand, it would be advisable to concentrate its efforts on monitoring the imbalances in Moldovan-European relations of association and integration, monitoring and forecasting the economy, to control the effectiveness of the processes related to the budgetary expenditures and revenue, to strengthen the fiscal administration; Optimizing tax pressure and directing the budgetary-fiscal policy towards the concentration of direct allocations to the budget and decrease of different facilities of free zone and firms and subsidies for companies with inefficient activity; Creation of a modern financial system through decentralization and demonopolization of granting of credits, deoligarhization and de-raider of banking market and creating a financial transparency. In addition, commercial banks must operate on the basis of risk and profitability, taking into account the need to develop the competitiveness in the Moldovan-European system.

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THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
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## **The Importance of Quality in the Accounting Profession**

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**Abstract:** Quality is a term that generally expresses the synthesis of all essential qualities of things and products/services. Quality and organization of activities necessary to achieve a level of quality has evolved permanently over several centuries. Quality is used in all economic and social aspects of life, but it has a subjective character and has special significance for each specific field, sector, function or product/service. Quality is a generic term applied to the various traits or characteristics, either individual or generic, and has been defined by experts or consultants in quality in many ways, different meanings being assigned to this term. The satisfaction of suppliers/producers for the work “well done” has always been perceived as a sense of pride and raised at different levels, depending on the historical period.

**Keywords:** accounting profession; leadership; organizational culture

**JEL Classification:** M40; M41; M49

### **1. The Need for Quality Management System**

Quality management systems are “vehicles for change and should be integrated to all areas of activity in a company, not only in the quality assurance department” (Conti, 1993), from marketing activities and to the delivery of finished products or performance of the afferent services to the customer. In these systems, organization leaders consistently materialize the specific task to ensure the definition, dissemination and implementation of quality objectives. Strategies and action plans can be implemented effectively and efficiently only when the objectives of the quality system and productivity are made operational by setting sub-targets for each function, department or activity. Thus, leadership plays the primary role: if one leader lacks the will and the power to assume the strategic role, endeavor is not only stagnating, but going to decline, with potentially fatal consequences for the organization.

More and more leaders have recognized quality as the “competitive weapon” and concluded that achieving the quality levels of competitors is not sufficient: the quality of products or services produced by the competition must be exceeded. This strategic approach has led to the need to implement and made operational the concept of continuous improvement within the company, since the competitors do not stand still when they realize that the quality of their products or services has been exceeded. Company's objectives on quality become therefore mobile targets, which have to be

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redefined to ever higher levels. Thus, instead of achieving stable levels of quality, continuous improvement will become the primary strategic objective for economic entities. This change of perspective requires commitment and involvement of all members in the process of continuous improvement.

In our view, it becomes obvious the need for direct involvement of top leadership in the continuous improvement process, essential to highlight the seriousness of the objective quality, as well as the support and dedication to achieve this goal on long term. The purpose of continuous training programs consists of: involvement / participation of top management; extensive training at all levels; team-building (method for creating teams, not merely working groups) - and results in achieving the quality improvement throughout the organization. This means first of all a change of attitude at all levels of organization; otherwise the employees will continue to look at quality problems as problems concerning only the quality department and not theirs. Along with the efforts to create commitment and general involvement in the processes of continuous improvement, emphasizing the link between quality and the primary objectives of the accounting profession is essential because it gives purpose and motivation. Strategic approach to quality sets new requirements even for quality professionals. Technical expertise remains desirable, but a thorough understanding of the strategic objectives of the company is becoming increasingly important and continuous education and training, program's evaluation and consultations are key responsibilities for this group of experts. Based on these assumptions, total quality management is emerging as a dynamic management based on continuous improvement and change, which aims to offer complete satisfaction to customer by identifying and creating within the accounting profession the best practices in accounting. The concept has a deep connection with the organizational culture, and the attitudes, behaviors and skills of all employees.

Creech (Creech, 1995) defines a set of principles for creating sustainable organizations in quality management paradigm:

- *substantiation of any approach based on five "pillars": products - processes - organization - leadership - commitment*: each pillar depends on the other four, and if one is poor, all are weak;
- *determination of the nature and culture of the organization* involves: development of governance principles connected to the human spirit; making sure they are fully understood and their application by all members of professional bodies through perseverance, persistence and consistency, ethical behavior, integrity and courtesy in all activities;
- *use of a decentralized and interactive system that integrates all levels* implies a decentralized structure based on the principle teams - outputs - service: replacing me and mine in people's mentality with us and ours; promoting faith in big rewards for teamwork and professionalism; stimulation and strong commitment of all members of the organization to achieve the highest levels of quality and productivity;
- *recognition of the organization as the central pillar that influences everything*, a principle basically achievable by maintaining consistency and control through incentives and not by authority;
- *organization of the firm in small teams and not large functions*, so each team is responsible for providing a well identified service ; teams are formed from other teams with clearly defined interfaces between them;
- *orientation and focus of activity of each employee on work and not the position they occupy* involves creating a mental model centered on group and work; definition of each activity/service in

terms related to customer (internal and / or external); identification of all the processes involved; creation of a process improvement system based on measurement, analysis and stimulation;

- *focus of leadership on output, not input* by setting SMART objectives desired by members of the organization; creation of strong incentives for initiative, creativity and innovation; stimulation of the desire for continuous improvement in all activities;
- *follow-up of results, assessment and providing immediate feedback to each and all members* based on measuring quality and productivity in different parts of the service; use of benchmarks to identify outcomes and needs; amplification of objectivity by using data, facts and investigations; use of comparisons so that analysis have relevance;
- *in-depth market knowledge and creating relationships with customers* implies that every decision, every action is related to the client;
- *creation of a quality environment that promotes pride and professionalism: quality brings quality;* it provides resources, tools and motivation;
- *foundation of all decisions on the principle of inseparability between cost and value* requires the involvement of all organizational levels, from the bottom to the top; providing cost data to the teams that create the service; “inoculation” of the value consciousness throughout the organization; using the quality to cut costs, not savings to lower the quality;
- *providing detailed and focused training to all employees at all levels (including top management)* since training at workplace and ad hoc are key elements, but not sufficient; formal training is vital for the creation of mental models and learning know-how; leaders at all levels must be teachers, because “leaders create leaders”;
- *considering with the greatest attention communication flow as one of the key priorities* meaning the replacement of all inhibitions in upward communication flow with complete openness; providing the necessary means and incentives for this to happen; to listen, hear and care are the catalysts that lead to success;
- *creation of a sense of common purpose, from bottom to top* has the effect of: closing the traditional gap between management and trade unions; ensuring that the common goal is related to service and client; involvement of all employees in supporting and achieving the common goal; creating connections with all employees at all times; creating the belief that dedication of all determine the success of each one;
- *creation of employment through participation and shared success* involves: maintaining the opinion that every job and every employee has his own dignity and worth; use of recognition and rewards, both for individuals and for teams; monitoring of the fact that commitment is real; providing opportunities and incentives;
- *achieving a management approach based on the five “pillars” primarily includes:* everything to happen simultaneously; to achieve action, not just say words; a slogan is not a system; a holistic system is the proven answer to new realities and requirements and any organization will benefit from it, regardless of size or profile; this system is not difficult to implement, if one starts with these principles, and successful companies worldwide apply them to defeat competition.

In conclusion, the quality is a state of mind and action, a commitment to continuous improvement of all activities. It must be defined in terms of customer expectations and prediction of their future needs

and should be included in all processes and accounting services but it must be measured. Success depends on:

- full involvement and support of strategic management and key positions in the organization;
- full involvement of all employees and their training in methods and techniques of continuous improvement;
- focus on customer needs;
- creation of quality culture;
- appropriate recognition and rewarding of continuous improvement;
- taken into account the best methods used by other companies, their adaptation to the conditions of each company and ability to exceed the results of "models".

Regardless of the type of organization, the quality management involves improving the organization's level of competitiveness, effectiveness and flexibility by planning, organizing and deeply understanding each activity and the involvement of each member, at all hierarchical levels (Oakland, 1999). From this perspective, achieving with high performance the quality targets often requires a change of mindset throughout the organization, by breaking the barriers of traditional way of thinking.

This change must start at the top, through the exercise of inspirational leadership and demonstration of total involvement, obsessive in its efforts on quality. The Director / President / General Manager of a company, with object of activity accounting, must accept the responsibility of total involvement and commitment in quality, focusing on the creation of key values such as customer satisfaction, competitiveness and performance. Simultaneously, middle managers have a vital role in the cultural transformation because they must effectively convey the changes drafted at the top throughout the company. Achieving cultural change is a central element in approaching quality approaches. Culture influences the organization's ability to both conceive and to implement a new strategy and we believe that our approach should analyze the important aspects of the influence of organizational culture on service quality.

### ***Organizational Culture - Stimulator of Quality Improvement***

Organizational culture is similar to national culture: it has its origins in history, myths, heroes and symbols, revolves around the values inherited by the organization from previous generations, creates the same kind of "collective unconscious" (Jung, 1997) and critically influences the ability of system to change. National culture has greater impact on employees than organizational culture, forming the cultural context for organizational culture. In turn, the organizational culture affects 25% - 50% of employees' attitudes, while other aspects of workforce diversity - social class, ethnicity, race, gender and age, influence all the other attitudes at organizational level (Hofstede, 1991).

Regarding the role of culture in addressing quality, the analysis of the relationship between culture and organizational performance is of paramount importance in any organization. Three interrelated elements are characteristic for this relationship: system of values, strategic suitability and adaptability to the external environment.

**Value System** - Values are the essence of the organization's philosophy of success, the central element that gives the sense of a common direction and shows to all system members how they should work together. For performing the efficient operation of this essential function of the system, the values must be shared by all members of organization. If organizational culture is strong overall values will

capture attention, otherwise the values will be ignored. The key to success is cultural alignment, which ensures that company's values are congruent with the collective “individual” values. Creating a strong organizational culture -with the critical contribution of strong leaders who have the ability to communicate the essential values throughout the organization through well-articulated vision and mission - directly determines the long-term best performance of organizations. Strong cultures may include simultaneously malfunctioning factors with others favorable to performance which, depending on context, can lead to success or failure of the organization. Long term success can be cause or strengthen cultural interrelations, but there is “mortal danger”: a strong culture may become arrogant, internally focused, politicized and bureaucratic, so extremely inert. Organizations presenting poor performance may also have strong, but dysfunctional cultures, centered on value systems that only apparently define success. Strong cultures are demonstrating the role of value system in the alignment, motivation and control of organization. Values can be considered an informal system of control, stronger than any control system, because it provides purpose and meaning for everything that must be done in order to obtain good results. For an organization to be successful, you need to create a strong culture, whose values:

- are the clear and explicit expression of a philosophy;
- are communicated throughout the organization and known to all its members;
- define the fundamental nature of the system: create a sense of identity, influence all aspects of the system, indicating what is important in the decision-making process; define what kind of people are respected and signal to the outside world what to expect from a certain organization.

***Strategic Suitability*** - One of the most important functions of organizational culture is to align and motivate members of the organization to achieve *notable performance*. A necessary but not sufficient condition is the development of a strong culture by the organization. Another necessary condition, but not sufficient, is the existence of compatibility between culture and environment / context of the organization, which may relate to the segment specified by the strategy or the strategy adopted itself. The organizational culture must be 'strategically appropriate'. In the specialized literature, many studies have proven that only organizational cultures compatible from strategy's perspective can be associated on long-term with high performance. Also, researches have also shown that the imitation of a best model in a domain can be valuable in a stable environment. On the contrary, imitating successful organizations in which environment is rapidly changing and uncertainty is high can be a fatal decision for the organization.

***Adaptability to environment/context*** - Cultures that helps organizations anticipate and adapt to environmental changes may be associated with long-term success. The features of an adaptive culture, regardless of the characteristics of the field in which the organizations considered are included.

The most important type of environment to which organizational culture must adapt consists of “key customers”. The core values of adaptable cultures are centered on consumers, shareholders, employees and the communities to which they belong, all these elements being considered “key customers”. Also, these cultures put a special focus on people and processes that can lead to useful changes in order to serve simultaneously all the “key clients” and their legitimate interests, even if they have to take for this high risks.

In our opinion, adaptive cultures give great importance to the leadership able to correctly predict the changes that must occur to achieve performance in competitive contexts which are themselves rapidly changing. In the case of transformational leadership, as a critical element of adaptive cultures, the

central concern is the creation and ongoing development of new strategies able to permanently ensure a high degree of satisfaction of all “key customers” and implementation of strategies even if the change should be made in the cultural levels that are hard to change. Real life has shown that if there is not a constant and simultaneous care for all “key customers” and for spreading the initiatives of leadership throughout the organization, the adjustment tends to be less effective. It is noted that this approach falls within the paradigm of total quality management, where quality is the core of the values promoted by the organization. To support a high level of performance in the organization on long term, the organizational culture must simultaneously fulfill three basic conditions:

- must be strong through a consistent and strong value system, communicated throughout the organization by strong leaders and shared by all members of the system;
- should be strategically appropriate;
- must be adaptable.

Specialized literature frequently discusses the issue of relations between cultural change in order to create a culture of quality and quality, but the practical approach is still problematic. Primary mechanisms recommended to persuade employees of the need to introduce and implement the quality policy are: education, training and leadership, while the structure, systems and procedures are of secondary importance.

The most important factors indicating a cultural change in relation to the quality are (Dale, 1998):

- Employees themselves are aware of the need to apply instruments and techniques to improve quality;
- “Champions” of quality appear in different parts of the organization;
- Employees talk about process and not about function;
- Changes in the systems and procedures are readily;
- Employees are not afraid to openly express their opinions;
- Top management believes that employees are value, not cost;
- Employees voluntarily take on some tasks that previously were the subject of difficult negotiations between management and unions;
- Operational level employees begin to provide ideas to higher managers;
- Employees show their willingness to help others;
- Difference between manager and subordinate becomes diffuse;

Continuous improvement occurs even in periods of instability or when the company top management focuses on solving other problems.

## **2. Leadership - an Element Influencing Quality in Organizations**

The role of leader in an organization is to communicate critical cultural values so to achieve organizational success through organizational vision and mission, elaborated in a proper ethical framework. The influence of leader is more than mechanical obedience of employees at the organization's routine directives. It is an interpersonal relationship in which employees act because

they want, not because they must. Effective leader must be equally influenced by subordinates like he exercises influence over them. In this paradigm falls the transformational leadership, whose aim is to transform people and organizations and to expand their vision and understanding. So the relation between this type of leadership, training and organizational culture crystallization is very strong, issue addressed in the specialized literature (Schein, 1985) with the definition of leadership as “determined cultural change “. The main characteristics (Covey, 2000) of transformational leadership are:

- is based on the fundamental human need for meaning;
- manages the goals and values, morals and ethics;
- has long-term orientation and promotes new directions of development;
- distinguishes between causes and symptoms and focuses on prevention: is proactive and catalytic;
- considers profit as the basis for growth;
- focuses on goals and related strategies;
- uses fully human resources;
- identifies and develops talents;
- recognizes and rewards the significant contributions;
- changes constantly job descriptions to accommodate them and give real meaning in relation to the tasks;
- provides a model of behavior;
- aligns internal structures and systems to reinforce the dominant values and goals.

Transformation leaders can contribute to changing organizational culture by (Hughes & others, 1993):

- providing a model of behavior based on the essential values they promote;
- giving preferential attention or ignoring problems or projects;
- the response to crises;
- rewarding certain behaviors different from those specific to the previous organizational culture;
- removing old penalties or negative consequences for certain behaviors;
- using certain personnel policies and criteria for selection/ dismissal of employees.

One of the most important aspects of transformational leadership is personal leadership or the personal nature of leader's power, which is strongly based on personal relationships, with a strong emotional character, and action based on a balanced perspective:

- focus - shared vision, mission, position, attention;
- facilitation - engagement; action; harmony; growth;
- synergy - individual objectives, organizational targets and company's aims are congruent;
- complicity in the “creation”;
- attention, openness and trust;
- future 's exploration.

### 3. Conclusions

We believe that in order to face global competition, companies of the future need to become creative entity able to constantly reinvent itself. The ability to invent new accounting and consulting services in the field for customers, capability to give quick and creative responses to complex problems and constantly find new ways of improving key relationships within the organization and between it and the external environment are key factors of differentiation and creation of competitive advantages that will ensure the success of the accounting profession as a whole.

In fact, professional bodies, CECCAR, CAFR, CCF, and ANEVAR are permanently concerned for its members' continuous training, so that, in addition to the hours of mandatory training, professional accountants are involved in attending conferences, congresses of the profession and workshops and roundtables with representatives of local authorities, academics and business leaders. Involvement and commitment of professional bodies in the creative activity for quality as may be a prerequisite condition and a unique opportunity for the accounting profession to become able to promote a culture of quality and creativity as a premise for creating competitive advantage in business.

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THE 11<sup>TH</sup> EDITION OF THE INTERNATIONAL CONFERENCE  
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**Instruments for the Financing Investment Opportunities in Post-Crisis  
Europe: The Investment Plan for Europe**

**Mariana Trandafir<sup>1</sup>, Manuela Panaitescu<sup>2</sup>**

**Abstract:** The study is based on an analysis of the opportunities provided by The Investment Plan for Europe. The Plan, launched in December 2014, aims at stimulating additional investment at least EUR 315 billion in real economy in the 2015-2017 period and making the most of every public euro mobilized through both new and existing instrument, in order to achieve the high multiplier effect. The challenge for the Member States is to put the funds made available by these instruments to productive use in order to support sustainable jobs and growth in Europe. In this context, Romania is facing a major challenge: to promote projects of interest to investors, economically viable, sufficiently mature and consistent with EU policy priorities. According official sources, until the mid - March 2016, only two projects was selected for financing through The Investment Plan for Europe. The study contributes to the identification of the new innovative financial instruments that could improve the access to finance in general and to Romanian projects especially. The analysis uses the most recent official data, official documents published by the European Commission and other institutions in the field.

**Keywords:** The European Fund for Strategic Investments; financial instruments; the European Investment Bank

## 1. Introduction

The recent global crisis has brought deep changes on all levels of economic and financial activity, affecting strongly also the investments at European level. In 2014, six years after the global financial crisis started, the pace of economic recovery in the EU is still slow, weak investment has been one of the main reasons for the weakness of this recovery (Final Task Force Report, 2014). Although there is considerable variation between Member States and sectors, EU investment activity in 2013 was 15 percent or some EUR 430 billion below the pre-crisis peak in real terms; in the hardest-hit Member States the shortfall ranges from 25 to over 60 percent. (Final Task Force Report, 2014, EIB, 2015). It's important to mention that, for most of the euro area Member States which have been heavily hit by the crisis, both private and public investments have collapsed with the crisis and that low levels of public investment, if maintained over a prolonged period, may lead to a deterioration of public capital and diminish longer-term growth potential. (ECB, 2016). In the 2012-2014 period, for instance, the public investment- to- GDP ratio was between 1,9 in Ireland and 5,6 in Estonia while the private investment- to- GDP ratio was between 12,9 in Portugal and 21,3 in The Czech Republic (chart 1).

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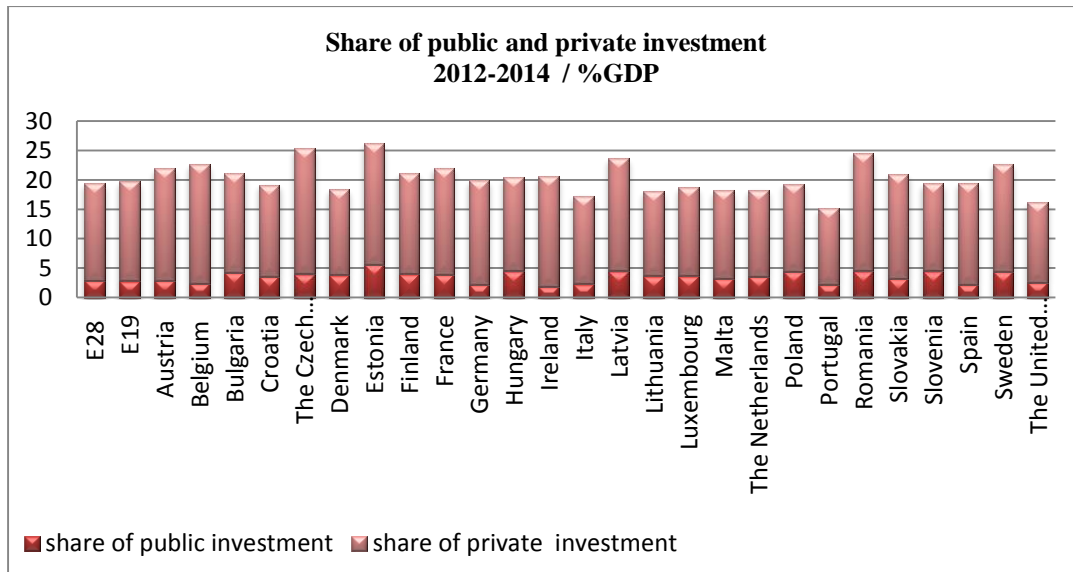


Chart 1.

Source: European Commission(2015) - Member States Investment Challenges, Commission Staff Working Document

In this context, for European countries, the main challenges to investment, which vary in terms of their restrictiveness, complexity and unpredictability are: low demand growth, low levels of capacity utilization, heightened economic and policy uncertainty, and, in some countries, the bursting of construction/housing bubbles, corporate deleveraging and financing constraints. (European Commission Staff Working Document, 2015)

Removing those challenges to investment involves actions both at EU level and national level. The Investment Plan for Europe is a new instrument to boost competitiveness in UE and to mobilize public investment and private support growth.

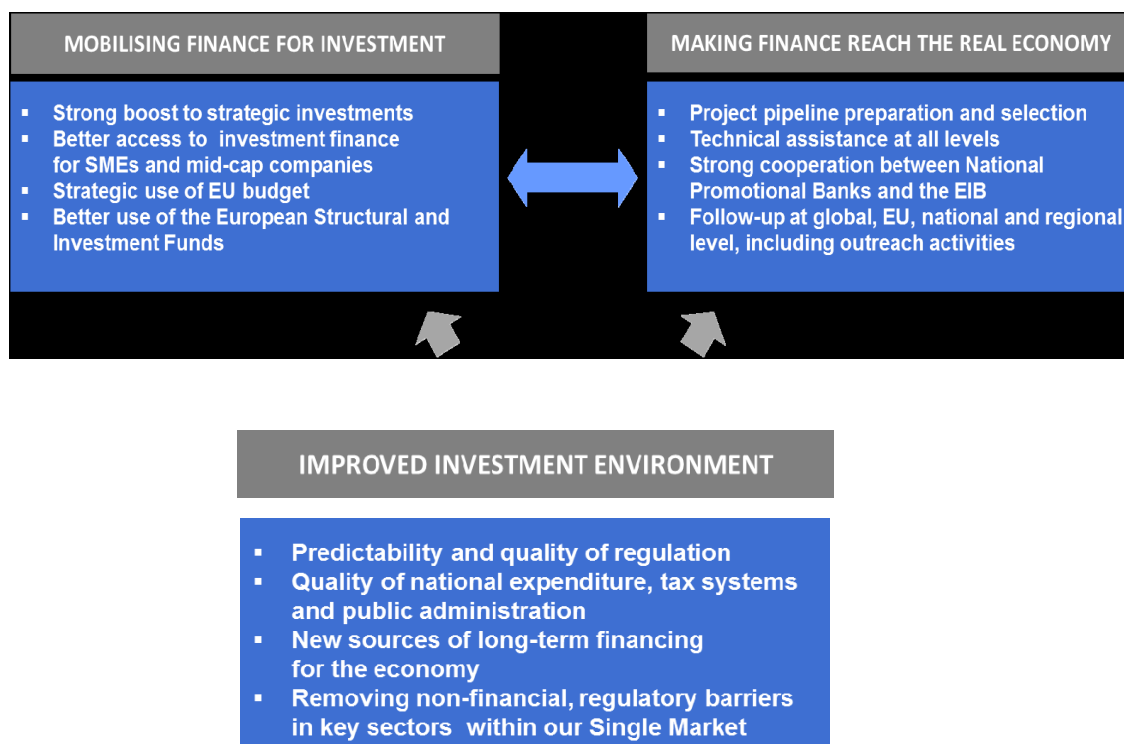
## 2. The Investment Plan for Europe – a Paradigm Shift in Using Public Money for Strategic Investment

### 2.1. A new approach for financing the investments – a new challenge for Europe

The Investment Plan for Europe, announced by the European Commission in November 2014 to unlock over EUR 315 billion of investment over the next three years, deliver a powerful and targeted boost to economic sectors that create jobs and raise growth. This plan was promoted as a paradigm shift and as a new strategy that is needed to lead Europe out of the crisis. “Investing in Europe – stated The President of the European Commission, Jean-Claude Juncker - means much more than figures and projects, money and rules. We need to send a message to the people of Europe and to the rest of the world: Europe is back in business.

This is not the moment to look back. Investment is about the future” (2014). According to the Communication from the European Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, the Investment Plan for Europe is an ambitious one which “comes on top of existing measures and will make the most of every public euro mobilized through both new and existing instruments” (EC, 2014), mobilizing finance for investment, making finance reach the

real economy and improving investment environment (Graph 1,) in order to put savings and financial liquidity to productive use in order to support sustainable jobs and growth in Europe.



**Graph 1. The objectives of the Investment Plan for Europe**

*Source: European Commission (2014) – An Investment Plan for Europe*

Conceptual novelty, the Investment Plan consists of three mutually reinforcing strands (EC, 2016, Peter Schulze, 2015) regarding:

**I. Mobilising finance for investment European through Fund for Strategic Investment (EFSI)** which aims to mobilise at least €315 billion in additional investment in 2015-2017. According to European Commission, (2016), the EFSI Regulation entered into force in July 2015 and the EIB Group started the pre-approval of projects in April 2015.

**II. Initiatives to make sure that the extra investment meets the needs of the real economy, aiming**

**a) Transparency on investment opportunities in Europe** through **The European Investment Project Portal (EIPP)**, a transparent pipeline of investable projects in the EU. The novelty is that investors can see what opportunities exist. It is important to mention that the EIPP is independent of EFSI, so there is no guarantee that projects which appear on the EIPP will receive EFSI or other EU financing support.

**b) Strengthening advisory services** through **The European Investment Advisory Hub (EIAH)**, operational since September 2015. The EIAH provides a single access point to a wide range of advisory services in support of project identification, development and implementation, access to finance, the use of financial instruments, and capacity building.

**III. Measures to provide greater regulatory predictability and to improve the investment environment**

**a) Improved and more predictable regulation at all levels**

**b) Making the most of the Single Market** : Capital Markets Union, Single Market Strategy, Digital Single Market, Energy Union

**c) Structural reforms in the Member States**

**d) Openness to international trade and investment**

**Chart 1.**

A recent study, led by acad. Lucian Albu, conducted under the auspices of the European Institute of Romania (2016), reveals the distinctive features of the new approach to financing investment opportunities compared to those offered by the structural funds and European investments:

- Although the same priority areas are kept, the new plan involves large investment projects with a high degree of risk, unfunded usually, either from the perspective of risk aversion to potential financiers or lack of financing sources;
- It does not require the mechanism management by each Member State, which assumes only the role to ensure:
  - An attractive framework for conducting investment projects;
  - Appropriate legislation for public-private partnerships to be functional;
  - Availability of a national promotion bank;
  - Launching an investment platform.
- The access to these investment funds is allowed to both public sector entities, companies, funds and investment platforms;
- Substantial reduction of bureaucracy, by enabling each project promoter to be able to upload the online funding request;
- Providing technical assistance from the EC and the EIB for investment projects, which facilitates cooperation between entities from different countries, including investment projects at regional level.

Recently, the European Investment Bank announced on its official site, a European Commission appraisal, according to which the Investment Plan has the potential to add between EUR 330bn and EUR 410bn to EU GDP and to create between 1 and 1.3 million new jobs in the coming three years.

## 2.2. Innovative financial instruments in the context of the Investment Plan for Europe

“Strategy of Investment Offensive”, The Investment Plan for Europe was designed to radically transform both public policy and financing instruments underlying the investments in Europe, with the stated aim of getting the highest economic and societal return on every spent euro.” (EC, 2014). In fact, the establishment of a European Fund for strategic investments (EFSI), through the partnership of the European Commission with the European Investment Bank (EIB), as an essential tool in developing the Investment Plan, pursued the experience bank in taking risks with financial measurable effects. It is estimated that the global doubling of using the financial instruments, added to the initial capacity of the Fund to assume risks, in a position to enable it to provide additional funds and to attract more investors to join, it will induce a multiplier global effect 1:15 in the real investments in economy, with an estimated effect based on previous experience of EU programs and EIB, meaning that 1 euro risk protection by the fund can generate, as average, investments of 15 EUR in the real economy. The functioning mechanism of ESIS is shown schematically in Chart 2

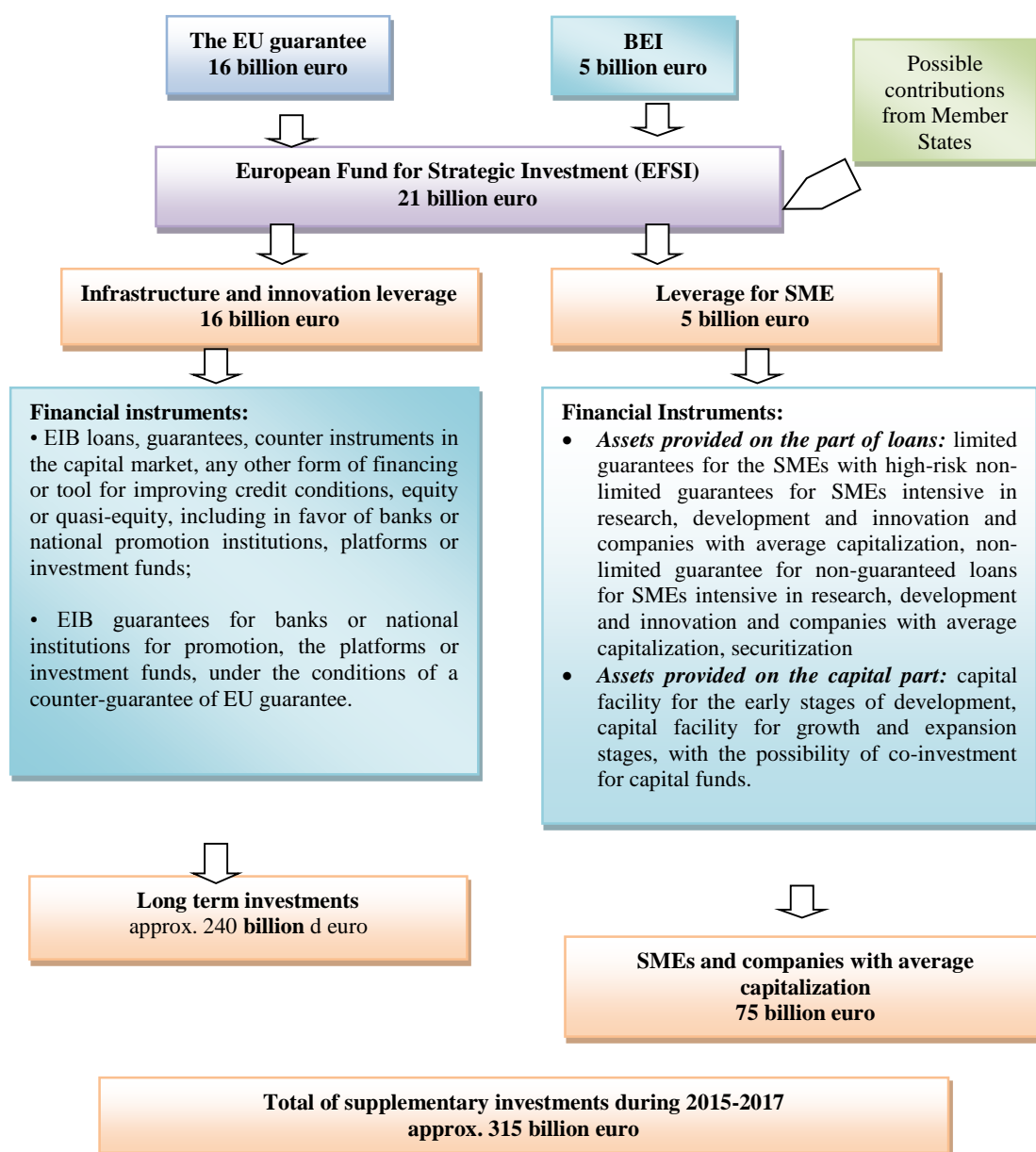


Chart 2

According to the European Commission estimates, the training of about 30 billion euros in the development of innovative financial instruments, such as loans, equity and guarantees, to the detriment of traditional grants, in key areas of the investment sector, such as support for SMEs, energy efficiency, information technology and communications, transport and research and developments sector it will lead to further investment in the real economy by 40 to 70 billion euros.

At the end of April 2016, more than 85% of the finance mobilised come from public and private sources outside the EIB Group.

	<b>Number</b>	<b>Financing under the EFSI</b>	<b>Total expected investment triggered</b>
Infrastructure and innovation projects approved	64	€9.3 billion	€100 billion
SME financing agreements approved	185 agreements benefitting 141,800 start-ups, SMEs and mid-caps	€3.5 billion	

*Source: European Commission – The Investment Plan for Europe. State of play, 2016*

### **Romania, in the Context of the Investment Plan for Europe**

The Investment Plan for Europe, launched in late 2014 attracted not only praise, but also some criticism on a landing between saying “The Magician Juncker speaks of money which does not exist” of the Eurosceptic and Green Group, opinions that compares with a pyramid scheme Caritas type (Victor Negrescu) until “Critical Analysis of Financial Instruments and Large Infrastructure Financing”, conducted in May 2015 by Georgi Medarov, Jana Tsonev with the financial assistance of the European Union which revealed a number of obstacles in the way of achieving the ambitious targets proposed by the European Commission for re-launching the European investments, out of which we mention the following:

- The projected multiplier effect was called “overly optimistic” by some financial experts, be even if the 315 billion were reached, that is still not enough, ”(Bernadette Ségol) because it would fill less than 40% of the annual investment shortfall since the crisis”;
- A more serious pitfall of the plan is that it does not provide enough fresh money; out of the budget-provided 16 billion, only 8 will actually be fresh funds used to guarantee the other 8. Furthermore, the EC was accused of relying on “fake money” 8, that is, recycling funds from already existing programs;
- There is a novelty, however, which it relates to what will count as public deficit. The Commission asserted that when “assessing respect of the debt criterion, contributions to the EFSI will not be taken into account”. The upshot is that state provision for public needs still incurs deficits, while Member State contributions to the EFSI and political guarantees against private losses do not. Juncker stated that contributions to the EFSI by individual member states will be deducted from the public deficit and debt under the Stability and Growth Pact

- The projects identified by the Task Force are solely “a first step towards creating a critical mass of projects for the EFSP”, There is no standard for the kind of projects to be proposed and the individual proposals are often incommensurable.
- Democratic participation, transparency and in-depth research are not merely formal requirements, but should be at the core of any *efficient* economic planning that is to achieve environmentally and socially sustainable results.
- If in the past, entrepreneurship, risk and volatility were depicted in positive light, today, the Commission speaks against them and disperses risk by socializing it. The expectation is that if risk is transferred to the public, it will be easier to attract private investment. However, this takes away the risk only for the investor and not for the public.

Romania proposed at the end of 2014 to April 2016, of more than 200 projects with an estimated value of 62.5 billion euros, which aims at the construction of highways, in the energy infrastructure or educational institutions, from the rehabilitation of theaters, libraries and museums in photovoltaic parks and retrofitting power plants and they are divided into several categories and domains: energy union, transport, digital knowledge and economy, social infrastructure, resources and environment are public projects and private projects. Unfortunately, despite press speculation, at the end of April, the Romanian Minister of Finance stated that there were “well over 220 transactions already approved under the European Investment Strategic (ESIS) in 25 of the 28 member states. Romania is not among them, but it is important to know that already had been committed resources totaling over 11 billion EUR. These represent loans and the value of projects and investments mobilized in total, which passes 80 billion EUR, already representing 26% of the total target assumed in the plan. According to data posted at the end of April 2016 on the European Commission website, only Romania, Malta and Cyprus are not listed among the countries that will benefit from the funds in this investment plan.

Instead of conclusions, we use the deterrent figures: the study developed under the coordination of Academician Albu reveals the Romanian economy's potential to access funds provided by the investment plan based on the growth rate of the capital stock:

- current 1%, which would lead to GDP growth of 0.95 percentage points / year;
- increase of the capital stock by 3 percentage points (pp), which would sustain the current trend, so from the sustained increase in GDP of about 2.85 to 3 pp / year Romanian economy;
- the increase of capital stock by 5 percent, which would lead to a growth rate of GDP of 4.75 percentage points annually.

In this context, the situation of the investments in the Romanian economy and development gaps compared to the neighboring EU states, sustain the need to value the ESIS in our country.



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## The European Funds, Risk and Challenge for Managers

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**Abstract:** The absorption of EU funds represents for Romania a chance to recovering from the social and economic gaps and to become a competitive state in relation to other Member States of the European Union. The management ability of European funds is closely related to the low rate of their absorption. This has resulted in the risk of de-commitment of unused amounts by Romania at the end of the funding period.

**Keywords:** Management; Economic Development; EU funds

**JEL Classification:** F15; O10

### 1. Introduction

The European funds are one of the solutions to reducing economic and social disparities compared to the developed countries in the European Union. However, some managers, partly due to the relatively low level of information related to the opportunities offered by the European funds, do not use this form of financing.

### 2. The Funds Available for the Programming Period 2014-2020

Structural Funds and Investment (ESIS) through which the EU supports strengthening the economic, social and territorial cohesion are: European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European fisheries and maritime Affairs (EFMA).

At European level, the European Commission drafted the Europe 2020 Strategy and the draft regulations for 2014-2020, establishing the general framework of the investment priorities. The Regional Development Plan 2014-2020 was developed in conjunction with the investment priorities of the Proposal for a Regulation of the European Parliament on investment for economic growth and employment. They consider the following 11 thematic objectives:

- strengthening research, technological development and innovation;
- Improving access, use and growth of the ICT quality;
- Improving the competitiveness of SMEs;
- Supporting the shift towards an economy with low- carbon dioxide emissions in all sectors;

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- Promoting climate change adaptation, risk prevention and management;
- Protecting the environment and promoting resource efficient use;
- Promoting sustainable transport systems and removing the bottlenecks in the key network infrastructures;
- Promoting employment and supporting the labor force mobility;
- Promoting social inclusion and combating poverty;
- Investment in education, skills and lifelong learning by developing education and training infrastructure;
- Enhancing institutional capacity and an efficient public administration.

At national level, the Romanian Government has adopted the Partnership Agreement with the European Commission, in which there was established the action on the implementation of operational programs for 2014-2020. Also, it was elaborated the National Strategy for Regional Development through which there are set the priorities for the development of regions and institutional relationships that facilitate the correlation with sectoral strategies. The Strategy represents the vision of the Romanian Government on regional development, a programming document which represents the strategic base for supporting the programs of funding from external/community, national, regional and/or local funds aiming at regional development.

The EU allocation for Romania for 2014-2020 is of about 33 billion euros, an amount of which the structural funds and investment represents about 22.5 billion euros, distributed as follows:

**Table 1. Allocation of Structural funds and investment for 2014-2020**

<b>EUROPEAN STRUCTURAL and INVESTMENT FUNDS</b>	<b>Total amount of allocation (Bil. €)</b>
Cohesion Fund	6.935
Less Developed Regions	14.607
More Developed Regions	893
Youth Employment Initiative (additional allocation)	106
<b>Total</b>	<b>22.541</b>

*Source: Processing information provided by the European Commission*

To this there are added the allocations for agriculture (EAFRD) and the fisheries and maritime affairs (EFMA), totaling 8.2 billion euros.

The EU funds allocated for Romania represent a challenge for all managers, who can submit projects for funding through them. The key actions that can be financed through projects submitted by managers are multiple and support the development of various sectors of the economy:

- Enterprise innovation through new technologies, applied research, innovative services with high growth potential;

- Use of agricultural and forestry advisory services, including support services in agricultural management in order to improve economic and environmental performance;
- Developing innovative ICT applications and infrastructures for accessing;
- Promoting digital competences of managers in rural areas;
- Development of new business models and organization of marketing activities that favor the internationalization;
- The restructuring of farms;
- Grants for starting a business for young managers;
- Improving market organization in fishery and aquaculture sectors;
- Measures to increase energy efficiency and use of renewable energy;
- Developing strategies and action plans for adaptation to climate change;
- Sustainable management of water resources and prevention of soil erosion;
- Investment in waste management and green infrastructure;
- Actions to reduce air pollution;
- Diversification of local economies by protecting and enhancing the cultural patrimony and natural sites;
- Restoring and enhancing biodiversity, including in Nature 2000 areas and farming systems with a high nature value;
- Investments in more efficient irrigation systems;
- Investment in eco-innovation in aquaculture;
- Investment in road, rail and maritime and multimodal investments;
- Financing the active and preventive measures regarding employment, personalized services and guidance, training courses specific for the inactive, unemployed and disadvantaged people;
- Independent activities and entrepreneurship for young people from all sectors, establishment of businesses;
- Investments in infrastructure, education and training;
- Support for the development of adult learning systems responding to high quality standards.

Obviously these activities which are eligible for funding through the Structural Funds and investment are not restrictive.

Thus, managers in Europe are facing clear options, but difficult. The first is to face up collectively the immediate challenge represented by the recovery and long-term challenges - globalization, pressure on resources, aging - to offset recent losses, to regain competitiveness, boost productivity and to keep the EU on an upward path of prosperity (“sustainable recovery”).

The second option is to continue undertaking reforms in a slow rhythm and largely uncoordinated, risking a permanent loss of welfare, a sluggish growth rate (“sluggish recovery”), which can lead to high levels of unemployment and social distress, and a relative decline on the world stage.

### 3. Funds Raised in the Programming period 2007-2013

Being a beneficiary or a contributor in relation to the European Union? This debate is important when we consider the benefit that we have due to the EU accession in 2007. The total amount drawn between 2007-2013 by structural funds and cohesion is about 12 billion Euros. This compares to the total amount allocated to Romania through the same types of non-refundable funds, i.e. 19 billion Euros.<sup>1</sup>

The Operational programs through which funds were allocated and the amounts reimbursed are listed below. The Programs that have the greatest degree of absorption are the administration and technical support, while the POSDRU, program for human resources, has the smallest degree of absorption. This reflects the weak administrative capacity of the managing authority and the implementing bodies involved in the management of those funds.

**Table 2. The absorption Stage for Operational programs 2007-2013**  
(April 2016)

Operational Program	Allocation 2007 – 2013 (mil. Euro)	Statements of expenditure submitted to EC (Current absorption rate)		Reimbursements from EC (the real absorption rate)	
		Value (mil. Euro)	%	Value (mil. Euro)	%
POS CCE	2.536	1.921,5	75,75	1921,5	75,75
POS DRU	3.476	1.894,8	54,51	1.726,8	49,68
POS Transport	4.288	2.734,5	63,77	2.686,3	62,65
POS Environment	4.412	3.138,3	71,12	2.945,5	66,76
PO Regional	3.966	2.567,8	64,75	2567,8	64,75
PO DCA	208	194,2	93,37	170,5	82,00
PO technical assistance	170	166,3	97,71	137,5	80,79
<b>Total</b>	<b>19.056</b>	<b>12.617,2</b>	<b>66,21</b>	<b>12.156,2</b>	<b>63,79</b>

*Source: information provided by the Ministry of European Funds*

According to the situation presented by the Ministry of Finance, in 2007-2013, Romania paid to the EU budget 1% of GDP each year, the total amount being sent to the Community budget of 9.2 bn. Euros, but got through pre-financing, reimbursements and direct payments over 21 billion Euros. Following the calculation for the financial balance, it appears that Romania has gained from this interaction almost 12 billion Euros.

Romania failed to absorb nearly three billion euros in financial year 2007-2013, due to uncompleted term projects, of which two billion euros on the transport and one billion euros on environment, said Radu Emanoil Dascalu, State secretary for European Funds, responsible for large infrastructure program, within the conference “Mechanisms for a developing market” organized by the Employers' Federation of Construction Companies Tuesday, April 12, 2016. There were stated the following remarks: “The tragedy is that these amounts that we could not absorb in the previous cycle will consume from the new budget OPLI (Operational Programme for Large Infrastructure). This means

<sup>1</sup> We have not included here the funds for agriculture and fisheries.

that out the amounts allocated to this new program, about 30% are already contracted and under development, i.e. they are those that have not ended yet”.

#### **4. The Identified Risks in the Implementation of Projects**

- The ability to co-finance projects by their beneficiaries, factor influencing the financial capacity to absorb funds (co-financing can be achieved through its own resources or bank loans);
- the lack of available funds (cash flow) to ensure the development of the projects, knowing that the rule of paying back of the already achieved expenditure applies, and the pre-financing to beneficiaries are low, which entails the risk for inability to pay, as in the case of beneficiaries projects funded by POSDRU 2007-2013;
- Delays in the repayment of amounts required by requests for reimbursement / payment requests (the duration exceeds often the 30 days period, provided for in legal regulations, reaching to up to 6 months), which leads to the impossibility of accurate planning of financial flow;
- Delays in the payment of taxes due to the state, a direct consequence of the issues mentioned above;
- Cumbersome public procurement, there may be many disputes that delay the procedure or even lead to the resumption of the procurement procedure, which leads to exceeding the implementation period of projects established under financing agreements;
- The application of financial corrections following the checks by the authorities of management or Romanian or European audit, who may find irregularities in respecting by the beneficiaries of the national rules regarding the public procurement procedures used to implement projects even after their completion;
- Preparation of control documents, finding notes and applying sanctions imposed by the supervisory authorities shows the inconsistent enforcement of the law with serious consequences for beneficiaries;
- Reduced corruption and developing the administrative capacity of public institutions directly involved in the management of EU funds (managing authorities, implementing bodies);
- Excessive bureaucracy - the need to provide numerous documents at the project submission and for the submission of reimbursement applications (dozens of full bookshelves);
- Declare as ineligible incurred costs, with no requests for clarification and explanations, with mistakes from the project officers;
- The existence of unfair terms in financing contracts, which flagrantly violate the principles of law and they favor only the financier;
- The change the rules during the “game” practice, by issuing instructions or through contractual changes that transform the context of implementation of projects;
- Possible lawsuits for damages arising from not honoring the contractual obligations by the financier;
- Lack of communication, ineffective or no collaboration with the Managing Authorities and implementing bodies which issue unclear and misleading instructions;
- The Information system (MySMIS) provided by the European Funds Ministry fails to cover the reporting and communication requirements and it is difficult to use;

- Timely insurance and maintaining an experienced staff, is one of the factors that determines the success of fund administration.

All these deficiencies lead to difficulties for managers in implementing projects and thus to poor absorption of European funds. Due to the previous efforts to correctly finalize the projects, some managers lose confidence in trying to access funds, preferring the easier way, although more costly of investment financing through the banking system.

## **Conclusion**

The European funds are a risk and a challenge for managers, they can contribute to economic development of the society as a whole and to reduce the disparities of Romania to the EU average. Risks must be assessed by managers and they should take all measures to mitigate them. Meanwhile the challenge resulting from the need to use available funds, since their existence is a real advantage in the possibility of financing projects with much lower costs compared to investments financed by attracting banking loans.

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