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CONFERENCE

Change Leadership
in Romania's New Economy

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Foreword

The effects of globalization, the new demographic trends, the climate changes, the pressures created by the need of a new source of energy are just some of the challenges of the 21st century. Furthermore, the processes of market liberalization, together with the fast rate of technological and financial innovation and of the new commercial platforms have led to the increase of the level of integration and interdependence. These evolutions involve the need for leadership, in other words for a competent, constant and coherent management.

Recent studies show that, nowadays, managers are insufficiently prepared for the changes these evolutions bring, especially in the case of global warming. They are obliged to lead their businesses in an extremely dynamic environment which does not always offer the necessary mechanisms of control. Many of them have failed in understanding, approaching and implementing this type of change management.

In this context, the Conference organized through the exploratory research project LIDEROM, PN II-ID-PCE-2007, financed by CNCSIS (The National University Research Council in Romania), wanted and succeeded to invite researchers from within and outside the country, that reflected and commented upon and beyond the aspects that have been emphasized above along the following expanded theme structure: communication in the knowledge society; change and management of businesses in emerging markets; leadership and complexity; critical aspects in the international business environment etc.

The LIDEROM project belongs to the field of fundamental research in Romania, being positioned in the multidisciplinary area of the knowledge based economy. The research studies within the project have identified the acute need the Romanian economy has for viable managerial and leadership practices and took note of the fact that there are insufficient studies and academic research that could lead to the creation of a Romanian managerial profile as well as a model of best practices for Romanian leadership in business. This was constantly emphasized by all consultants that have been invited to Romania during the previous years including Michael Porter. During his conference in Bucharest in 2007 professor Porter pointed out that Romanians need efficient leaders who are able to both develop a strategy and implement it. As a member of the European Union, Romania has to reconsider its priorities towards research, to surpass local regionalism and institutional clichés and to redirect itself towards the main flow of thought and practice of an efficient international management.

We hope that the present volume, *Change Leadership in Romania's New Economy*, reuniting a selection of the papers presented during the Conference in Curtea de Arges, offers an overall image of the diversity and complexity of the much debated theme.

Professor Nicolae Dardac, Ph.D.

ENSEMBLE LEADERSHIP – A MANAGEMENT CONCEPT FOR THE 21ST CENTURY

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Abstract. *This essay explores and develops organizational leadership concepts for the 21st century. We proffer new concepts – ensembles – of organizational leadership, strategy development and process flows that will lead to seamless value creation in a dynamic and uncertain world. At present firms’ strategic and leadership responses and processes are correlated to their common strategic environment and have specific characteristics that are era-based. Leadership theories emerge as a consequence of enlightened visionary skills and environmental changes that have clustered round three main approaches: transactional leadership; transformational or new-leadership; and complex, or new-new-leadership. We propose clustering/blending of several stratagems which has advantages in terms of arguing for paradigm shifts commensurate with dynamic and uncertain environments that will characterize the 21st century. These include developments in mindfulness; positive psychology; strengths-based engagement, complexity science – including chaos theory, complex adaptive systems and emergence; sustainability-vision, and corporate social responsibility. Incorporating these developments while still leveraging the power of individual clusters, this paper proposes leadership repertoires, which we identify as “ensemble leadership,” as praxes for creating value in dynamic, complex environments. Ensemble leadership elaborates how blending several paradigms offer fuller-range leadership responses to current organizational challenges in environments exhibiting high velocity change, complexity, and uncertainty. As a concept paper only the “tip-of-the-iceberg” is presented with much work to follow.*

JEL Classification: J53, D23, M54.

Key-words: environment; ensemble leadership; mindfulness; virtuousness; world-citizensry; connectedness; complexity science; visionary skills (no box); network systems; emergence; self-adapting systems.

Introduction: ensemble leadership as an augmented leadership repertoire

Figure 1 classifies historical eras of strategy praxis evolution and how management leadership processes, responses and approaches changed over time. In a previous paper the lead author demonstrated how transactional, transformational, and new-new leadership paradigms have successively emerged, as the best theory-in-use for a prevailing zeitgeist. In each case they positioned themselves as an augmentation of the repertoire that preceded them; an integrated set of previous and current practices that best enabled leaders to successfully navigate new era uncertainties. This paper now argues for an urgent and further augmentation of past and present repertoires with an approach we call “ensemble leadership,” comprising four key practices and twelve associated enactments that will help organisational leaders catalyse responsible organisational and social transformations in highly complex and uncertain times. Refer to Figure 1 for a pictorial depiction of leadership strategic history by eras.

ERA	1940 – 1960	1961 – 1980	1981 – 1995	1996 – 2001	2002 – PRESENT
Common strategic and competitive environment	Delineable and stable	Stable and mature	Fluid & dynamic	Punctuated and discontinuous	High velocity and complex velocity
Leadership process	Dominant velocity judgemental	Responsive to analysis	Responsive to learning	Purposeful search for meaning	Culture and complexity change agent
Strategy	Prescriptive	Learning	Emergent	Configuration and management	
Leadership response	Rigid	Reactive	Reactive adaptive	Adaptive generative	Generative emergence
Leadership approaches	<p style="text-align: center;"> TRANSACTIONAL -----> TRANSFORMATIONAL -----> “NEW-NEW” -----> -----> ENSEMBLE --> </p>				

Figure 1. Towards An Holistic Leadership Overview: The Ensemble Paradigm As An Integrative, Seamless, Value Creative Strategym

This section takes as given that organizational leadership futures will be characterised by discontinuous and high velocity change - chaos; global interconnectedness (strong + weak links, networks); the emergence of critical “knowledge” bases from unlikely sources, such as multidiscipline institutes and research centres (e.g., Santa Fe Institute, Georgia Tech Research Institute, the Web); and the probable, unknowable presence of inaccurate and or obsolete information. In such environments, organizations are likely to demonstrate complex, dynamic, and non-linear behaviour. It argues that the need for a new vision - “ensemble leadership” (Figure 2) – is an exciting managerial concept that recognizing distinctive values of paradigm clusters, building on historical heritage, that when blended allows for deeper understanding of holistic business strategies and processes as well as enhanced end-user value. Given the ferocity, suddenness and velocity of changes the world is currently experiencing and will face hereafter (Coveny, Highfield, 1995), scholarly logic dictates new and exponentially different strategic paradigms from anything business management has experienced thus far – Ensemble Leadership.

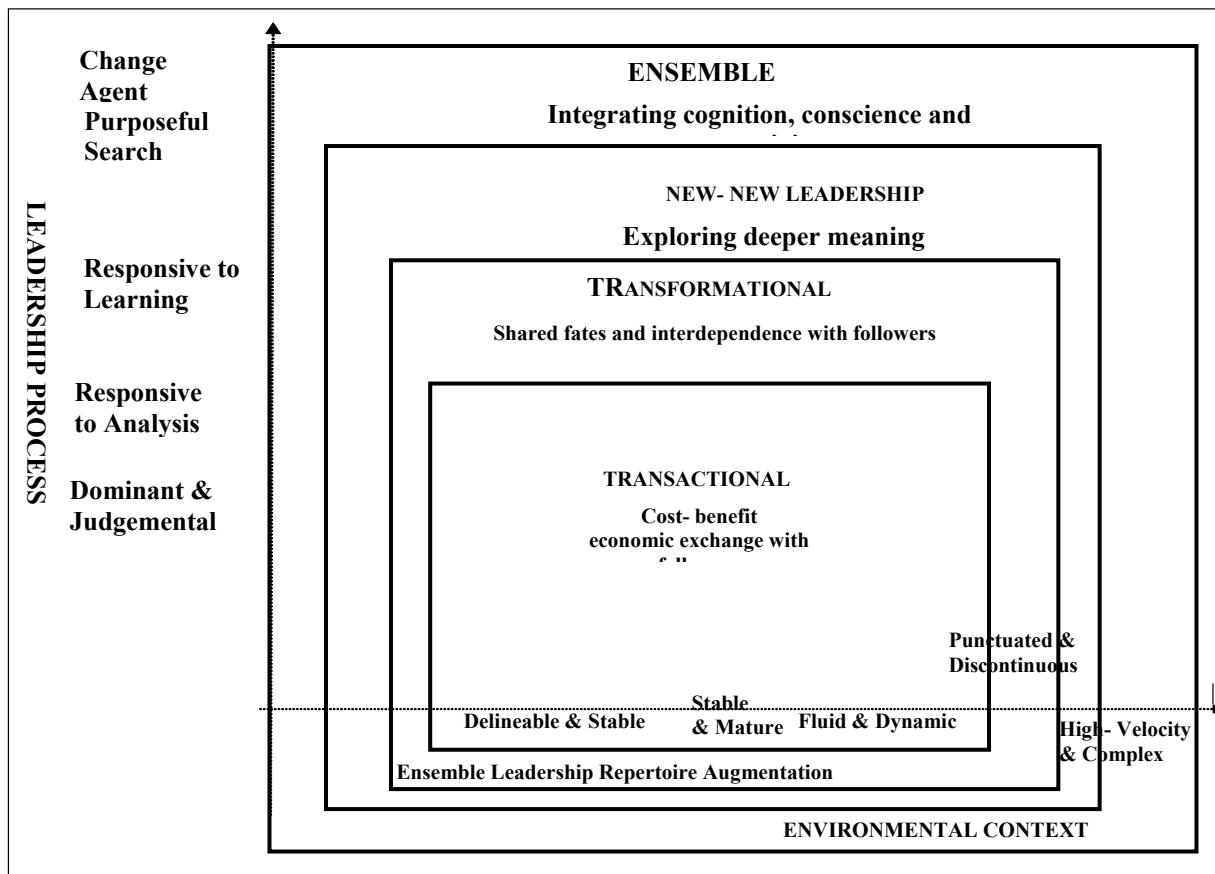


Figure 2. The new vision of organization type “ensemble leadership”

We contend the tenor of the times (9/11, the Asian tsunami of December 2004, the upsurge of environmental/biospheric abnormalities, unexpected economic collapses – credit crunch in global banking institutions, terrorism) and the unmitigated devastation they wrought requires not only significant responses but new managerial paradigms. Aftermaths to each troubling event signalled, paradoxically, an interconnected world in which while on one hand the aftershocks of unexpected natural and man-made disasters in one part of the world had “butterfly” effects that touched the rest of the globe, on the other hand, collective global will, international resources and concerted multi-national responses overcame cultural, national and ethnic divisiveness to mitigate human suffering. This paper argues that in addition to transactional, transformational and new-new leadership approaches, ensemble leadership strategies are underpinned by four unique supporting principles, which, in concert, offer the best repertoire augmentation for leadership in uncertain times.

The four key underpinning principles of ensemble leadership are mindfulness, virtuousness, world citizenry, and connectedness (Figure 3). The following sections will in turn consider each of these four practices and the enactments that they comprise.

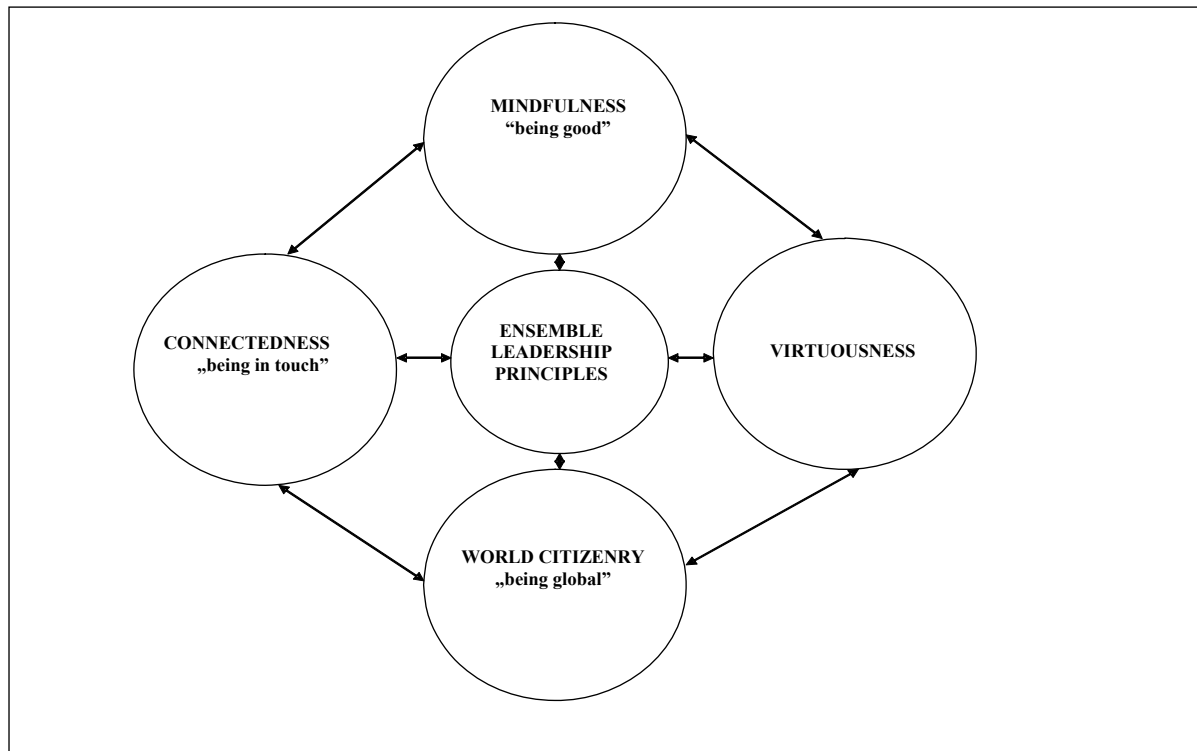


Figure 3. Four underpinning principles of ensemble leadership
 Key leadership practice 1: learning from mindfulness

As contemporary leadership experts and academicians signal congruent aspects of a new world and caution against potentially disruptive inflection points and discontinuities, ensemble leadership underscores the fact that only advanced, anticipatory, nimble, creative, courageous and collaborative peoples and organizations that have the will-power are necessary for these fluid and unpredictable environments (Bennis, 2001; Neace, 2007b, Weiner, Brown, 2005). “Mindful” leadership is worth cultivating because it assists in deploying appropriate repertoires – ensembles - of competencies when deemed appropriate as part of coherent and conscious leadership processes, nurturing environmentally and socially committed organisations (Figure 4). This paper’s particular epistemology of mindful leadership draws from a broad scope of new leadership responses within a world a collection of leading theorists characterizes as an unknowable and unpredictable world (e.g., Bennis, Spritzer, Cummings, 2001, Dickman, Stanford-Blain, 2001).

1. *Building self and social awareness*
2. *Developing the capabilities for relentless updating*
3. *Invoking new and insightful viewing lenses*
4. *Brain-leadership connections*

Figure 4. Four enactments of mindfulness

Moving outside of the core literature on leadership, strategy, strategic entrepreneurship and innovation, “mindfulness leadership” was useful in a number of other disciplines, for example: Silsbee’s (2004) work on coaching adapted from Buddhist and Western work on the taxonomy of consciousness and conditioning; Clarke’s (2004) work on mindfulness discusses how self-aware and socially-aware empathetic behaviour spurs leaders, their people, and their organizations to success in a world of uncertainty and change; Kabat-Zinn’s (2005) which draws on experiences in medicine and stress reduction for healing; Weick and Sutcliffe’s (2001) research centering on large complex systems such as power grid dispatching centers, air traffic control systems, nuclear aircraft carriers, nuclear power engineering plants, hospital

emergency departments, and hostage negotiation teams illustrating the mindfulness of grounded insights possible under extreme pressure and uncertainty through “preoccupation with updating”; and Mintzberg’s (2004) claiming that the most useful education for practicing leaders are reflective practices that help them understand and modify their own behaviours.

Diversity noted above indicates, and we argue, mindfulness approaches actively heed and adapt intersectional knowledge from other disciplines – especially when examining intractable problems or special opportunities, which leaders often face. It points to the advice in Wheatley’s (2006) updated version of her classic *Leadership and the New Science: Discovering Order in a Chaotic World*, which asserts that management phenomena may benefit from an alternate viewing lens and that key metaphors from the new sciences, such as non-linearity (Lorenz, 1993), dynamic change (Langlois, Richardson, 1995), unpredictability (Hawking, 1982), self-organisation (Johnson, 2001), bifurcation (Gleick, 1987) and edge-of-chaos (Holland, 1998, Waldrop, 1992) help in conceptualising prevailing organisational contexts and situations in new and insightful ways. Such insight has clear relevance to meeting contemporary leadership challenges by adding value to existing management frameworks laced with ongoing uncertainties.

Reiterating our earlier recommendation that deploying mindfulness as a conscious process in day-to-day leadership is vital for organisations’ futures in complex environmental contexts. It adds specifics on how to enrich what Tichy and Bennis’ (2007) perceive as the very first element in leaders’ judgement processes: the ability to “pick up on signals in the environment” (p. 97) and then accurately sensing, framing and aligning so they are prepared to make good judgement calls even in unexpected circumstances. Snowden and Boone (2007) reinforce the point with their conclusion that leaders require mindfulness frameworks to accurately “identify the governing context” (p. 73) for each domain of action. Mindfulness will “make sense of unprecedented events, (Weick, Sutcliffe, 2001, p. 42), “provide a more nuanced appreciation of context” (p. 42) and demonstrate ways to deal with it.

Discussions of the remaining three leadership practices will be very brief due to space limitations. Of the four we believe mindfulness the prime ideal (Hartshorne, 1997) of the supportive ring of ensemble leadership.

Key leadership practice 2: virtuousness, using ethical leadership and signature strengths

This section on virtuousness, doing what is right and avoiding what is wrong, and its three dimensions (Figure 5) is underpinned by recent leadership research acknowledging the key role in ensemble leadership.

- | | |
|----|-----------------------------------|
| 1. | <i>Moral legitimacy</i> |
| 2. | <i>Genuine altruism</i> |
| 3. | <i>Engaging positive emotions</i> |

Figure 5. Three enactments of virtuousness

Lipman-Blumen (2005) established how followers’ search for a mindful, virtuous, world-citizen, and radically-transactive leader, were subverted, especially in times of relentless and high-velocity change, leveraged by unethical leaders providing an explanatory framework for leaders like Jim Jones, societies like Nazi Germany, and organisations like Enron. Synthesising core concepts from these researchers, leads to the conclusion leadership credibility and a non-negotiable competency for organisations in complex contexts is predicated on integrity, authenticity, service, and an interest in shouldering responsibility.

Academic scholars and management practitioners recognise that without moral standing and integrity leaders fail to influence followers and “organisations lose their long-term

effectiveness and become soulless structures” (Kanungo, 2001, p. 258). Yet, as academic scholars are prone to do, disagree on the moral legitimacy of all existing leadership approaches: transactional, transformational, and new-new leadership (Bass, Steidlmeir, 1999, Kanungo, Mendonca, 1996).

The importance of genuine altruism, or moral motivation, as a behavioural strategy in an inclusive, interdependent world cannot be over-stressed. In the areas of positive psychology, authentic happiness, flow, and strengths-based perspectives do inform and shape new traits and behaviours leaders must possess and demonstrate the necessity for virtuousness. Such frameworks, instruments, research, and theories, teach leaders to use a “broaden and build theory” (Fredrickson, Branigan, 2005, p. 314) of positive emotions to recognise and renew those of their signature strengths that underpin socially and culturally enduring virtues prized around the world and across time.

Key leadership practice 3: world citizenry for authentic sustainability

World citizenry leadership practice is supported by three enactment pillars (Figure 6) that serve as stabilizers of complex, dynamic systems.

1. **Fostering committed participation in an ecosystem of government, private sector and civil society**
2. **Espousing holistic and inseparable views of environmental, cultural and economic inter-linkages**
3. **Crafting credible and urgent responses on economic and social dimensions**

Figure 6. Three enactments of world-citizenry

Sustainability is firmly on the contemporary leadership agenda. World leaders recognize that burgeoning environmental problems can only be solved if they are viewed as significant opportunities. Prominent exponents of this position take the sustainability challenge and collectively galvanise economic and social activity by government, the private sector, and civil society, such as former U.S. Vice President, Al Gore (2006) and the most prominent organisational influence, the U.N.’s Global Compact of ten principles (Annan, 1999, Neace, 2007a), which asserts the private sector’s strategic engagement with sustainability efforts is predicated largely on the perceived financial value proposition of such a stance. World-Citizenry underlines the salutary effects on the sustainability movement and the increasing number of exemplar companies proving that “green is green” (Immelt, Bolsinger, 2006, p. 15).

We go further by endorsing holistic views of sustainability that interlink environmental, cultural, and economic issues as inseparable – the Triple Bottom Line (Elkington, 1998, Izatul, 2007, Senge, Dow, Neath, 2006). World-Citizenry foregrounds opportunities and problems human organizations and societies encounter in co-existing with the natural environment, whether that environment is the workplace, the local community, or the global ecosystem as a core part of ensemble leadership.

Key leadership practice 4: connectedness and engaging internal and external stakeholders

Connectedness has three operational enactments for the ensemble leadership paradigm during high velocity change (Figure 7). First, new ways leaders align organisational followers to the vision through a mixture of enablement, empowerment, and encouragement (Kouzes, Posner, 2002). Second and third describe, respectively, leaderships’ new strategies for gaining access to tertiary stakeholders enabling organisations to serve as agents of social transformation and facilitate disruptive events (Hart, 2005).

1. C r e a t i n g e n r i c h e d s e n s e o f c o m m u n i t y
2. E m b a r k i n g o n c o l l a b o r a t i v e j o u r n e y s o f o r g a n i s a t i o n a l e f f e c t i v e n e s s
3. E n e r g i s i n g o r g a n i s a t i o n ' s c o m p e t i t i v e i m a g i n a t i o n

Figure 7. Three enactments of connectedness

Transformational leadership prescribes networking with members in an organisation, as a means of engaging the “full person of the follower” (Burns, 1978, p. 4). New-new leadership approaches give urgency to member networking as keys to managing change. In arguments for ‘new’ leaders, Goleman, Boyatzis, and McKee (2002) ask, “How do leaders create an emotional climate that fosters creative innovations, all-out performance, or warm and lasting customer relations?” (p. 11).

Ensemble leadership offers a new and paradigm of inspired people alignment, enablement, empowerment, and interconnection. These ‘new’ leaders achieve this by not only forming tighter and more sensitive bonds with followers, thus heightening empathy and cohesion and continually searching for and blending concepts from many disciplines, but also connecting with new peoples from non-traditional disciplines – weak links (Csermely, 2006). Knowledge and learning should be a collaborative discovery of what makes organisations most effective in economic, ecological, and human terms. We agree emphatically with Hart and Sharma (2004), only two-way dialogue among fringe stakeholders and organisations will lead to innovative opportunities and business models for the future. In a complex and unpredictable world ensemble leadership holds promise for energising the organisations’ competitive imaginations.

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CONFUCIUS ON ETHICS AND LEADERSHIP



James MOULDER
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Abstract. *I use a broad brush to sketch what Confucius can teach us about admirable leaders; about leaders who are not petty; who know what they cannot control; who lead by example; who are considerate; who have good manners; who are fair; who play by the rules of the game; who have a bias for action; who mean what they say; who make good on their word; and who do their utmost. As much as possible, I allow him to speak for himself; but, where it is appropriate, I connect his ideas to Adam Smith, as well as to contemporary Western and Chinese business thinkers. I include with a pull and some proposals for putting the his ideas into Eastern European leadership development programs.*

JEL Classification: Z13

Key-words: Confucius, leader, leadership.

„Oh, East is East and West is West, and never the twain shall meet, Till Earth and Sky stand presently at God's great Judgement Seat.”

Rudyard Kipling, The Ballad of East and West, 1896.

Kipling got it wrong. East and West have met, not "at God's great Judgement Seat", but in countries that are interested in entering emerging markets in the East and in the West. And, under the blankets of "multiculturalism" and "cross-cultural understanding", these people are fumbling to understand each other. I want to contribute to the groping by sampling Confucius' recipe for what it takes to be a leader who wins respect, while getting things done. And I want to explore this road, because, for more than two thousand years, candidates for a position in China's civil service took an examination which tested their understanding of the Analects, the selected sayings of Confucius on ethics and leadership.

These sayings spell out what it means to be a junzi; literally, a ruler's son; and, by extension, someone who is preparing for a leadership position. And they proclaim what was then a revolutionary idea: leaders do not come only from privileged homes; anyone can aspire to be a leader by cultivating the moral and behavioural attributes of a junzi. Leaders who have these attributes are not petty; they know what they cannot control; they lead by example; they are considerate; they have good manners; they are fair; they play by the rules of the game; they have a bias for action; they mean what they say; they make good on their word; and they do their utmost.

Because there is no substitute for reading what Confucius says about these dimensions of leadership, as much as possible, I want him to speak for himself. But, before I give him the stage, I want to say something about how to read the Analects.

Tuning into the analects

If, like me, you do not read Chinese, you have to use a translation of the Analects; for example, the one by Ames and Rosemont (1998), or the one by Dawson (1993). In one sense, this is not a problem; both translations are easy to read and both translators provide a helpful introduction, as well as many explanatory notes. In another sense, it is a problem, because, while we are reading the English words, we have to respect the fact that they translate ancient Chinese ways of constructing sentences and writing a book.

Although the 512 sections of the Analects are divided into 20 chapters, there is no table of contents and no chapter headings. And the chapters do not deal with a single idea or theme. More seriously, because the aim is not to analyse and define concepts precisely, none of the key terms is introduced with an explicit definition. Instead, and to involve us in the process of thinking about what has to be understood, the sentences are open to multiple interpretations. This is why Cua (1989, p. 209) has told us that, when we are reading the Analects, we have to accept that "the more crucial or central the idea, the greater the ambiguity" attached to it.

Cua (1989, pp. 209-211) also explains why Confucius points to what he wants us to see instead of describing it for us. Because the words we use to talk about ethics and leadership refer to innumerable and unforeseeable situations, they have to be adjusted to fit the context in which they are used. And, because these words refer to practical activities – to things like being considerate or playing by the rules of the game – understanding what they mean is a practical rather than a theoretical necessity.

For example, Confucius (2.12) tells us that nobody admires a leader who thinks he's a pot. So, what is he pointing to instead of describing? And what are the practical connections he wants us to make?

Well, a pot is useful; but only for cooking and other mundane things. So, you need more than technical skills to be a leader who is admired. Also, a pot is a tool, a means to an end. So, leaders who are admired do not allow themselves to be used by other people. They decide what must be done. And, because they "talk their walk" and "walk their talk", they win people's respect and achieve their goals.

For all these reasons, although the sentences in English translations of the Analects sound like dogmatic prescriptions, actually, they are indicators; and they invite us to explore the many ramifications and applications of what Confucius believes about ethics and leadership.

Allowing Confucius to speak for himself

When we bring Confucius into our discussions of ethics and leadership, we need to accept that he does not have a word for what we want to talk about. But there are analogues, and they are instructive. Where we ponder on what counts as unethical behaviour, he ponders on what counts as losing the way (dao), which is his phrase for talking about "losing the plot". And, where we search for the attributes of a leader, he searches for the attributes of an admirable person (junzi).

Ames and Rosemont (1998, 45) connect the two ideas: because dao is used to describe activities like building a road, or digging a canal to "lead" a river in a new direction, the way of an admirable person (the dao of a junzi) is "a road map and directions" for himself and for others.

So, what is Confucius' map? and what are his directions for using it?

According to one of his students (4.15), his way is nothing more than this: do your utmost and put yourself in the other person's shoes.

Although this summary is more correct than incorrect, it is a simplification of Confucius' map for being an admirable person, for being what we may want to call "an effective and ethical leader". And so, I want to go to some of the places on his map and try to see what he saw.

Admirable leaders are not petty

Confucius often contrasts people who are admirable and people who are petty; literally, small people, or small-minded people (for example, at 4.11, 4.16, 12.16, 15.21, and 16.8). In this contrast, we get a glimpse of what he expects leaders to do and to be, because it highlights the difference between those who "get it" and those who have "lost the plot":

- Admire people who cherish their ability to lead by example; petty people cherish their possessions.
- Admire people who respect the law; petty people look for loop-holes.
- Admire people who try to be fair; petty people try to take advantage of the situation.
- Admire people who bring out the best in others; petty people bring out the worst.

- Admire people who make demands on themselves; petty people make demands on others.
- Admire people who prize people who are more talented than they are, and who appreciate words of wisdom; petty people belittle people who are more talented than they are, and they sneer at wise words

Admirable leaders know what they cannot control

Confucius (16.8) also underlines the fact that admirable people respect the things we can't control; but petty people don't, because they don't know what these things are. And the Analects ends with Confucius (20.3) underlining the importance of having a feel for words, for manners and ceremonies, and for the things we cannot control: if you don't have a feel for the things we can't control, you won't be seen as someone who should be admired.

The words that point to the things we cannot control - tian and ming – are translated as "heaven", or "the mandate of heaven" (tian); and as "fate", or "the propensities of circumstances" (ming). The translators help us to understand what these words mean. For example, Dawson (1993, p. 26) tells us they reflect the feeling that, "despite all our efforts, what really happens is out of our hands". And Ames and Rosemont (1998, p. 47), by telling us that "tian is both what our world is and how it is", remind us that we do not control the global environment which impacts our leadership decisions and initiatives.

Why is it admirable to have a feel for what we cannot control? On the one hand, it saves us from believing we can "cover up" or "get away with" dubious behaviour; a belief that is even more silly in a world of inquisitive journalists than it was in Confucius' society. On the other hand, it drives us towards Sunter's (1996) concept of "scenario thinking", which identifies what we can and cannot control, so that we confine our planning to what we can control, and create scenarios - "plausible stories about the future" - for what we cannot control.

Admirable leaders have good manners

The Chinese word is li; and it points to what is described by various words and phrases which are used to translate it; words like "ritual", "custom", "etiquette", and "rules of proper behaviour". Neither they, nor my "good manners", capture what Confucius wants us to understand. And they fail, because, as Ames and Rosemont (1998, pp. 51-52) have observed, the English words suggest "compliance with hollow and hence meaningless social conventions", whereas, for Confucius, they point to "the social grammar that provides each member with a defined place and status within a family and a community".

This point is captured by one of his students (1.12): good manners create harmony. And Confucius links it to what we call "leadership style" (2.3): If you lead people by issuing instructions, and insist on punishments, they will stay out of trouble; but they will lose their self-respect. If you lead people by example, and insist on good manners, they will develop self-respect; and so, they will keep themselves out of trouble. If Confucius' pull for leaders with good manners does not ring a bell, then, to mix my metaphors, three of his other insights may get the penny to drop:

Firstly, our manners are habits for living with others, and they differentiate us more significantly than our physical attributes do (17.2): nature makes us very similar; our habits make us very different.

Secondly, although insisting on good manners may degenerate into fussing about trivialities, this does not have to be the case (6.18): when nature beats nurture, you get bad manners; when nurture beats nature, you get nitpicking; it's only when there's a balance between nature and nurture that you get a person who should be admired.

Thirdly, because good manners require self-control, they moderate our behaviour (12.1): if you want to be considerate, you need self-control and good manners; being considerate depends entirely on you: how could it depend on anyone else?

And so, Confucius connects us to Adam Smith (1790, p. 159), who also sees that our desire to be praiseworthy drives us to acceptable ways of behaving: "to certain general rules

concerning what is fit and proper either to be done or to be avoided".

Admirable leaders are considerate

The Chinese word is ren, and Ames and Rosemont (1998, p. 48) have an observation and a quotation to tell us what it means. The observation refers to the graph for the word, which, because it consists of the symbols for person and two, underlines the Confucian assumption that one cannot become a person by oneself: "we are, from our inchoate beginnings, irreducibly social". The quotation comes from Fingarette (1983), and makes their point more clearly: "for Confucius, unless there are at least two human beings, there can be no human beings".

Confucius uses ren to point in two directions:

- Looking back, he connects having good manners and being considerate (12.1): If you want to learn how to be considerate, don't look at anything that violates good manners; don't listen to anything that violates good manners; don't speak about anything that violates good manners; don't do anything that violates good manners.
- Looking forward, he connects being considerate to his version of the golden rule (6.30): If you are considerate, you help others to achieve what you'd like to achieve; and you help others to get what you'd like to have. So, here's a recipe for being considerate: use yourself as a yardstick.

Admirable leaders are credible

The remaining attributes of an admirable leader do not require any comment; and so, it is sufficient to list them:

- They are fair (13.4): If the people who run a country cherish fairness, nobody would dare to be disobedient.
- They play by the rules of the game (13.13): If you play by the rules of the game, why would leading people be difficult? If you don't play by the rules, how can you say this is what the other players should do?
- They have a bias for action (1.14 and 2.13): Admire people who are slow to speak, but quick to act; people whose words chase their deeds rather than the other way round.
- They mean what they say (13.3): When words aren't used correctly, people don't know where they stand. So, admire someone who, when he puts a name to something, knows what he's talking about and talks about what's possible. Admirable people are careful about what they say.
- They make good on their word (9.25 and 2.22): Take doing your utmost and making good on your word as your lynchpins, because someone who doesn't make good on his word can't be trusted. If a carriage doesn't have a pin for its yoke, how can you drive it?

Taking confucius seriously

Chen's (2001, pp. 85-102) guide to Chinese business makes three points about its Confucian dimension. Firstly, there is obvious news. Where people speak Chinese, Confucius is taken seriously. For example, in Taiwan, a Confucian conception of the family has created "five-generation apartments", which are multi-storey buildings that provide a separate apartment for each generation of a single family, while allowing everyone to live under one roof: "in this way, the modern Western idea of privacy is reconciled with the traditional moral obligation to take care of one's family". And "success by Chinese standards" involves the Confucian belief that "a well-managed business starts with a well-managed individual and family".

Secondly, there is bad news. Far too often, "the Confucian principles of harmony and holism apply only to a section of society to which an individual has strong attachments, like the family, the village, or the family business". And so, by making "the family or the clan, rather than the individual, the focus of the selfishness", Confucian ideas may give a communal rather than a personal spin to egocentricity.

Finally, there is challenging news. Anyone with Western cultural baggage, who wants to do business with Chinese companies, or leverage what Chinese people can contribute to their

company, has to embrace the fact that "a Confucian-based philosophical orientation continues to have a pervasive impact on Chinese business". And embracing this fact involves taking it seriously rather than merely acknowledging it, or tolerating it. For example, the Confucian emphasis on social harmony impacts the way in which the Chinese assess performance: "the big picture takes priority over the individual part, or, to draw an analogy with theatre, the coordination between actors, directors, and crew behind the scenes must be in perfect harmony, and all participants must share the achievement". And so, from a Confucian perspective, questions about a company's ability to make money explore only one indicator of its performance; an indicator that cannot, and must not, be detached from questions of this kind:

- Is there harmony among employees?
- Is everyone, including its suppliers, growing and developing with the business?
- Do the members of the company believe financial rewards are being distributed fairly?

Chen (2001, p. 97) draws these threads together by underlining the fact that "for the Westerner interested in understanding the Chinese frame of mind, it is important to exchange an analytic either-or framework for a paradoxical and-and framework, in which opposites are interdependent rather than mutually exclusive". And this change has to be made, because "the common complaint by Westerners that Chinese behaviour is baffling and indecisive is very often the result of misperceiving a frame of mind that embraces paradox".

This thread can be stitched into Stewart's (1996) article on nine dilemmas leaders face:

1. Broad-Based Leadership vs High-Visibility Leadership.
2. Independence vs Interdependence.
3. Long Term vs Short Term.
4. Creativity vs Discipline.
5. Trust vs Change.
6. Bureaucracy Busting vs Economies of Scale.
7. People vs Productivity.
8. Leadership vs Capability.
9. Revenue Growth vs Cost Containment.

After insightful comments on each dilemma, Stewart takes a Confucian approach to what you do with them: "fundamentally, leadership is about ambiguities, not certainties while leaders often are mesmerized by the virtues of one side of a dilemma, and ignore its worthy alternative, effective leaders work both ends and so, you don't have to choose between leading, following, and getting out of the way; your job is to lead, and to follow, and to get out of the way!"

Concluding by flying a kite

As much as possible, I have allowed Confucius to speak for himself. I also have made some suggestions for tuning into the Analects. Both things were done to tempt you to read his book and discover the ideas he brings to the discussion about ethics and leadership. Finally, I have used ideas from Adam Smith (1790) and Thomas Stewart (1996) to show that some Western business thinkers are comfortable with Confucian concepts. Now, instead of drawing a conclusion, I want to fly a kite; one of those splendid Chinese kites, which are decorated with friendly dragons!

I hope one of Eastern Europe's centres for leadership development will put the Analects, as well as other Asian leadership classics, into its curriculum and its research program. More specifically, and with a focus on Confucius, a centre that decides to go down this road could do any, or all, of the following things:

1. Map the similarities and differences between Western and Confucian concepts of leadership.
2. Build on Zhang's (2000) exploration of the synergy between the ethical and economic theories of Confucius and Adam Smith.
3. Create a two-way street between Chen's (2001) discussion of leadership paradoxes and Stewart's (1996) discussion of leadership dilemmas.

4. Survey the extent to which people in Eastern Europe accept or reject the Confucian benchmarks for a leader and a follower.
5. Embrace the idea of *guanxi*, the idea of mutual and reciprocal obligation, to shift the focus from studying leadership to studying the relationship between leaders and followers.
6. Use Senge's (1990) ideas about a leader's new work to build on Silin's (1976) thesis that, for Confucius, there is a fuzzy difference between teaching and leading.
7. Refresh the debate about the extent to which leaders should be autocratic or democratic by trying to understand why Confucius rejects coercive power, but accepts the legitimacy of expert power and referent power.

Obviously, the list could be longer; but it is long enough to tell us that, because East and West are meeting in the markets that are emerging in the East and the West, leadership development programs should be trying to connect and understand the two traditions. Also, this list is long enough to tell us that, if leadership development programs in Eastern Europe and elsewhere accept this challenge, building on what Confucius gives us is a good place to start, but not to stop.

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BUSINESS LEADERSHIP IN ROMANIA: AN OVERVIEW OF RESEARCH, EDUCATION AND PRACTICE

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Abstract. *This study examines the background of contemporary business leadership issues in Romania, starting from factors such as globalization, knowledge capital and EU integration requirements. In this context, it identifies a specific dilemma of the Romanian business culture, between avoiding abusive leadership practices of communist recollection and avoiding the uncritical adoption of foreign models and, hence, the need to establish grassroots conceptions of leadership.*

The preliminary findings presented in this article indicate that the current level of development of indigenous business leadership models (in both theory and practice) is rather low, and that significant efforts are required (from research, education and practice alike) to produce authentic solutions to eight areas of need identified in this article. In sum, these areas of need refer to the systematic development of the knowledge and skills base, knowledge transfer methods, cultural change strategies and national policy recommendations that are necessary for the successful application of good leadership principles in Romanian business practices.

JEL Classification: I23, D23, M12, M14

Key-words: business leadership, organizational learning, Romanian economy, Romanian business culture, knowledge transfer.

INTRODUCTION

This article presents an overview of the current levels of research, study and practice of business leadership in Romania. The rationale of this enquiry is explained below, in terms of the background issues impacting on Romanian business leadership and the problems that require strategic solutions in the near future.

Under the pressure of globalization, EU integration and new performance requirements of the knowledge economy, businesses operating on the Romanian market are called to address major leadership issues.

One of the most useful synthetic descriptions of globalization as a social and economic phenomenon has been provided by Webber (2000), who argues that ‘the term globalization has been employed to denote the global integration of finance, the emergence of global corporations, the development of institutions of global governance, the global implications of environmental crises, and the commodification of previously non-marketed arenas of social life’ (Webber, 2000, p. 1163). This overview on globalization is particularly relevant for business leadership, as it emphasizes the development of a different, non-traditional form of market interdependence among businesses still dominated by local models of competitive performance. Local business leaders can no longer afford to imagine that they are sheltered from global trade, finance and labour trends, or that they can remain in control of their markets by approaching business with static assumptions about what worked successfully in the past. There are increasingly frequent reports that businesses everywhere, irrespective of

their size, have become affected by apparently disconnected trends in the most unexpected ways. Food production, supply and distribution chains are only an example (see Senge, 2006, pp. 352-357).

As the new dominant type of interdependence seems to be based on an explosion of knowledge distribution possibilities opened up by integrated communication technology, a significant shift is taking place in business capital valuation: fixed, tangible, physical capital is no longer crucial; intellectual or knowledge capital is the new currency for business success. Accordingly, business leaders have come to realize that a key factor in achieving competitive edge now lies in the extent to which any organization (through its human resources) is able to learn and apply this learning faster and more efficiently than its market rivals (Armstrong, 2006, p. 37).

On the background of the abovementioned pressures, the Romanian economy has engaged in a catching-up agenda shaped by the exigencies of EU integration, be they explicit or implicit (see Glavan and Anghel, 2007).

This combination of broader (global) and more specific (EC) pressures places Romanian business leaders in the painful situation of having to repair and transform a ship while it is still drifting at sea. Furthermore, the pain is augmented by the realization that postponing more radical strategic decisions could only lead to being confined to directions one may not wish to take.

This context is bound to produce increasing frustration among business leaders and the Romanian population generally, as tensions grow around the perception of a chronic lack of leadership at all levels of Romanian society. Indeed, most Romanians acknowledge an urgent need for effective and responsible leadership. While the post-December 1989 transition period has proven profitable for a select few and traumatizing for a growing majority, leadership (or, more exactly, the lack thereof) has remained a structural social issue.

This absence of grassroots initiative and resources towards leadership capacity building is even more problematic when combined with a critical attitude towards non-indigenous best practices. The concept of leadership itself is still considered a 'Western' (possibly American) set of values, attitudes and skills that has to be imported into the Romanian context as proof of popular willingness to embrace democracy and a free-market economy. The term 'leadership', for example, has been adopted into the Romanian language without any adjustments, and is preserved as such, to bar any possible semantic association with the traditional Romanian concept of 'conducere' (a term of Latin origin) and its strong communist overtones. This association is still powerful, obscuring a much older and diverse usage history. How can one explain this reluctance to adopt and effectively use international leadership models in business practice? Fear that these models may not fit Romania's business culture and values may not be justified, considering the admitted lack of viable alternatives. From this dilemma emerges the need to identify grassroots conceptions of leadership.

The LIDEROM Project, led by academics from Bucharest University of Economics over 2007-2010, has been initiated precisely to fill this gap and facilitate solutions to the dilemma. The purpose of the LIDEROM Project is to create a knowledge base for business leadership education, research and practice in Romania, and ultimately develop a model of excellence in leadership which takes into account the specific features of Romanian business culture and, at the same time, proves effective in motivating the human resources of an economy experiencing radical change – an economy which is still using outdated management practices. This purpose is aligned with one of the three strategic objectives of the Research, Development and Innovation (RDI) national system, which refers to knowledge creation, by obtaining top results in research and related technology, to increase the visibility of Romanian research at international level and the transfer of these results to social and economic practice. This is also the foundation which informs Romania's integration in the European Union and the premise to accede to EU's Framework Programme 7.

The Project has five objectives, defined as follows: (1) to establish the level of development reached by leadership studies and research in Romania; (2) to select international best practices in the field; (3) to produce a methodology for knowledge and know-how transfer from developed organizational cultures to the Romanian context; (4) to encourage local conceptions of leadership, borne by grassroots experiences in the Romanian business culture; and (5) to develop an online knowledge base that would assist Romanian businesses in applying various models of excellence in leadership (deemed relevant to the Romanian context) to their own organizational development needs.

RESEARCH METHODOLOGY

The preliminary findings presented in this article are the result of literature reviews and interviews undertaken in 2007-2008 by a group of researchers at Bucharest University of Economics (Bucharest, Romania) and Monash University (Melbourne, Australia).

The research methodology identified as most appropriate for this project has been developed under the guidance of Professor James Sarros (Department of Management, Monash University, Australia), whose contribution to this important stage of the project is hereby duly acknowledged.

The research undertaken so far has been developed in two stages.

Phase 1 consists of a review of the leadership literature, to identify international models of leadership excellence. The review has involved comprehensive searches and analyses of the international research literature in the field, based on information collected from over 50 first-tier international databases, and includes examples referring to transformational leadership, situational leadership, positive leadership and psychological capital.

Phase 2 is devoted to data collection, and involves interviews with international specialists in business leadership. For this purpose, the LIDEROM research team has undertaken a series of interviews with top specialists in leading organizations in the UK, the Netherlands and Australia. In formulating its conclusions, the team has drawn on expertise shared by the Prince of Wales International Business Leaders Forum (represented by Lord Alan Watson of Richmond), the Centre for Management Development at London Business School, the National School of Government (London), the Tavistock Institute (London), the Inspirational Development Group (London), the International Business and Management Studies Institute at the University of the Hague, the Institute of Social Studies (the Hague), Clingendael-Netherlands Institute of International Relations (the Hague), Maastricht School of Management, the International Business Administration Program at Vrije University (Amsterdam), the Department of Management at Monash University (Melbourne, Australia) and the Graduate School of Business at Monash University (Melbourne, Australia).

PRELIMINARY FINDINGS

Leadership research in Romania

Several literature reviews undertaken since November 2007 indicate that, despite a rapidly growing international research literature on business leadership, the Romanian counterpart remains relatively scarce. A very limited number of books on leadership have been translated into Romanian. Academic textbooks on the subject are also in small number, and the discussion of the concept tends to be rather broad, failing to apply more subtle distinctions that could be useful in practice. Most of the very few textbooks that have been written by Romanian academics for the area of management appear to be adaptations rather than original work. This means that there is usually very little research or adaptive transfer of leadership concepts to circumstances relevant to the Romanian economy.

In sum, research outcomes in this area are patchy, inconsistent, and of uneven quality. To our knowledge, no study has yet been published which would provide a sufficiently comprehensive inventory, either of Romanian contributions in the field of leadership generally, or of contributions (of any source) to contextual leadership relevant for the Romanian business culture. The vast majority of leadership studies related to the Romanian context are limited to political leadership and have very little to say about business.

Of the few timid attempts, the most advanced studies about Romanian business leadership are very recent, and they are generally not produced by Romanians through research at Romanian institutions. A notable exception is the study by Littrell and Lapadus (2005), which enjoyed individual expertise from an academic of the University of West Timișoara (Timișoara). The study consists of a collection and comparative analysis of qualitative data regarding preferences for leadership behaviour in three European countries, namely Romania, Germany and the UK. While the findings are a valuable contribution to the study of Romanian culture, the purpose of the project undertaken by Littrell and Lapadus is specifically to inform the guidelines and content of management training and development programs for organizations that employ a multinational workforce. As a consequence, many culturally-specific leadership aspects (such as communication, motivation, vision creation, decision making, workplace diversity) remain insufficiently explored. These aspects are, however, essentials which will have to be properly addressed in order to produce a comprehensive perspective on leadership excellence in the Romanian business environment.

Similar efforts in ascertaining the level of leadership and management development in Romania were made, in another comparative study, by Gray and Mabey (2005). These were mainly prompted by an EU-based interest in explaining the relatively low participation of small business in various European countries (UK, Denmark, Norway, France, Germany, Spain and Romania) in formal management development programs. Again, identifying Romanian culture-specific criteria for leadership excellence was not a concern. However, the study provides some valuable insights into the role of certain leadership styles in stimulating productivity and performance in Romania, insights whose significance is enhanced by the cross-country approach.

A more informative study (although still comparative) is provided by Steyrer, Hartz and Schiffinger (2006), as it contains a wealth of recent empirical data on the extent to which observed styles of leadership behaviour of top business managers match regional and global expectations. The authors of this study are the first to note the impact of transitional economic factors on leadership behaviour in Romania and the emergence of a new generation of managers, able to produce a transformed leadership culture. These conclusions are also drawn within a broader context, comparing Romanian business culture with those of Estonia, Germany and Austria.

The only topic-specific study identified in the international journal literature is the one produced by Aioanei (2006), of the Pontifical Salesian University of Rome. It contains a thorough investigation of the ways in which Romanians relate to their organizational leaders and of the most common leadership behaviours which have proven to have a connection with (at least) short-term success. Aioanei finds that business leaders in Romania tend to be autocratic rather than democratic in style, are less inclined to be participative and involve followers in their decisions, and are happy to employ coercion (which they often rationalize as resoluteness). The most prominent leadership prototype is the 'Military Man'. However, inquiry into the preferences of Romanian employees (especially of the younger generations) reveals a desire to have more democratic and participative business leaders, which may establish the foundations for a significant cultural change in Romanian leadership practices.

Among those sources accessible to the Romanian general readership, Năstase's book *Lideri, leadership și organizația bazată pe cunoștințe* (2007) offers perhaps the broadest overview available on the subject. Beside a well-structured synthesis of the international research literature, supported by a rich thematic bibliography, the book has the distinctive

merit of providing a bibliography on Romanian management, organizational types and cultures. Importantly, out of the 90 titles only 12 are by Romanian authors, and all have been published in the last decade. The fact that none of the 12 titles makes direct reference to the concept of *leadership* as such is also significant.

A significant achievement in the field so far is Luca's compelling monograph study entitled *Employee* (2005). The author's conclusions have serious implications for a correct understanding of the Romanian workplace culture and of its inherent challenges for successful business leadership. Thus, Luca highlights several major sources of tension in the Romanian business culture, namely Romanians' weak preoccupation for strategic planning; the tendency of Romanian business towards instability; attitude-based difficulties in applying innovation; the development of heterogeneous organizational structures; the proliferation of a family business model dominated by nepotism, centralism and corruption; the authority complex and the authoritative style dilemma. Regarding the latter, Luca explains that there is an apparent contradiction in the attitude of Romanian employees, in that they expect the traditional power distance between them and their leaders to be reduced but, at the same time, they want the leader to step in firmly when decision and action responsibility are required. Employees demand trust and freedom in expressing their fear, and they also want to be allowed to avoid those decisions they appreciate as too risky. This characteristic ambivalence between liberalism and conservatism, between paternalism and consultation, may appear as a wicked problem in the short to medium term, but the author optimistically suggests that, given Romania's recent communist legacy, there are good reasons to hope that participative styles will in the long run become more successful than the traditional autocratic styles, and that a new sense of responsibility and risk profile of the Romanian employee will emerge in the process.

Leadership education in Romania

Formal leadership courses are far better represented on the Romanian market, and they are growing in both number and content diversity. Our searches have revealed at least 13 public and private universities, 14 NGOs and 5 private enterprises that specifically offer leadership or 'conducere' courses in Romanian and for Romanian business managers. This does not include courses organized in large companies by in-house trainers or by invited foreign experts, about whom information is not publicly accessible and is far more difficult to obtain.

More academic courses of the executive MBA type (such as ASEBUSS, the Canadian MBA, and INDE) are offered by the Bucharest University of Economics with Western partners. As a consequence of the latter's expert input, their curriculum has a strong Western content and very little reference to Romanian leadership practices.

A unique leadership development perspective has been promoted and delivered by the CODECS Foundation for Leadership, created in 2001 by S.C. CODECS S.A. with the purpose of facilitating the development and consolidation of a leadership-focused organizational culture in Romania. Some of the Foundation's key principles are: raising the general public's interest in the topic, promoting academic and professional excellence in the field, and fostering internal and international cooperation in leadership development. In pursuing its goals, the CODECS Foundation enjoys the contribution of the Open University (UK) and Harvard University (US). The Foundation's leadership development programs include: personal leadership solutions (strategic planning and coaching offered in collaboration with experts from the Coaching Institute in the US); leadership modules included in the CODECS Executive MBA Program; and an educational program entitled 'Liderii Mileniului Trei', which is delivered by students for students in secondary and high schools throughout the country.

In conclusion, it appears that, although the market demand for leadership training is increasing, the academic community is generally still resistant to the idea and insufficiently

prepared to offer degree courses tailored for Romanian students and Romanian business realities, at both undergraduate and postgraduate level. Our inquiries with field experts and practitioners reveal that academic leadership courses are still perceived as elite products for top managers or middle managers who can negotiate for their relatively high study fees to be paid by their employing company.

Leadership practice in Romania

Of all leadership research directions suggested in this article, Romanian leadership practice is perhaps the least explored and least analyzed area. As suggested before, there are as yet no comprehensive cultural studies available on leadership in Romanian organizations and their specific business environment. There is little explanation for this lack of research effort, considering the growing media and expert reports of a *managers' crisis* caused by Romanian skilled labour mobility within the EU and by the increasing competitive pressure from foreign companies.

An interesting perspective on Romanian leadership practices is provided by Western managers running multinational or foreign companies in Romania. Confronted with a negative image of Romania as corrupt and unpredictable, many such managers experience a pleasant surprise and develop the so-called *Romanian disease*, that is a certain fondness of the informal and unsophisticated traditional approaches to communication and interpersonal relations characterizing Romanian culture. To some, this difference is perceived as a fresh (and sometimes more meaningful) alternative to Western practices.

One of the cultural differences that is a recurrent source of problems for non-Romanian business leaders is that Romanian employees tend to emphasize interpersonal relations in the workplace over (and sometimes at the expense of) their professional or organizational objectives. This is the more disconcerting as the distinction between private and public persona (which tends to be powerful and clearcut in Western cultures) is often fragile and blurred in Romanian workplace cultures.

The soft skills consulting market provides an interesting situation. While the number of management consulting companies offering leadership development services is growing very rapidly in Romania, client companies are not sufficiently educated in clearly identifying their own training needs and the quality standards they should demand from external trainers and consultants.

International perspectives on Romanian business leadership

Such perspectives are occasional and seldom made public, as they are mainly prompted by events (such as conferences and workshops) which typically attract the interest and questions of the media. One such event was the conference organized in Bucharest in November 2006 by Human Capital Solutions (a private enterprise) together with the daily 'Ziarul Financiar', an event which hosted about 450 participants from all social sectors and organizations (business, government, NGOs and universities) and had Stephen Covey as a key guest speaker on inspirational leadership. The conference offered a singular opportunity for the Romanian media to inquire into Covey's perspective on Romanian leadership. His reply was prompt and concise. Effective leadership does have a crucial role in easing out the difficulties of post-communist transition, namely in making a decisive shift from a pessimistic and depressed outlook to an optimistic and energizing one. The starting point for making this change is disarmingly simple. It means making a promise and keeping it; and then being consistent and repeating the pattern without exceptions. Emphasizing honesty, achievement and progress leads to credibility, and concrete results. Ultimately, involving others in the solution seeking process is an act of patience and confidence (Pahoncia, 2006).

Of the interview information collected by the LIDEROM research team from international leadership academics and practitioners regarding their perceptions of Romanian business leadership, we note remarks made by Lord Watson of Richmond (member of the

Prince of Wales International Business Leaders Forum) and Dr Eugenia Patrniche (Associate Director of the Centre for Management Development at London Business School).

Lord Watson pointed out the urgent need for Romanian business leaders to press on changing towards a more participative style, considered (in his opinion) long overdue, and especially in the new competitive context created by Romania's recent accession to the EU. While declaring himself a firm believer in international cooperation and open frontiers, Lord Watson warned that EU membership would not automatically bring about a resolution of Romania's economic problems and that many of these problems may eventually be solved more effectively through local approaches to business leadership.

On the other hand, Dr Patrniche had the opportunity of directly observing Romanian business leaders for several years, mainly as participants in the leadership development programs organized by her Centre. Her conclusions summarized the empirical profile of the current Romanian business leader in terms of: (1) exceedingly favourable opinions about one's own qualities and achievements; (2) resistance to change and any form of external authority; and (3) a rather poor understanding of competitiveness and its applications, facilitated by extreme individualism. These three factors, states Patrniche, raise serious issues regarding the ability of Romanian business leaders to achieve genuine performance and lead effectively through vision, motivation and inspiration.

Knowledge transfer issues

Our research has identified two main directions in which knowledge transfer methodology should focus: 1) leadership models and best practices from the international literature into the Romanian situation, with a view to conducting research on Romanian organizations; and 2) transfer of research results to Romanian industries and businesses. The first area is created by the need for Romanian specialist literature and research to catch up with the international leadership research output. The second is a reflection of the pressures coming from developed, knowledge-driven economies, to transfer good ideas, the results of research and skills between universities, other research organizations, business and the wider community, and to allow the development of new, innovative products and services.

It has been long argued that the creation and transfer of knowledge form a basis for the competitive advantage of firms. However, knowledge transfer can be cumbersome, particularly in a situation in which a relatively general definition of what constitutes knowledge is difficult to accept. Tacit knowledge is the most difficult to transfer. And since most Romanian organizations are in a process of formalizing their knowledge base, therefore relying mostly on their tacit knowledge, our current research suggests that this situation constitutes an important obstacle in knowledge transfer.

The field of knowledge transfer is relatively new but very much in demand internationally, due to an increasing need to commercialize the results of publicly-funded research, technology and know-how. While sophisticated economies have professionalized the field of knowledge transfer, thus increasing the number of individuals and organizations actively engaged in the successful commercialization of research, Romania lags behind, with its universities generally disconnected from the needs of industry and business, and with very little private investment in research and development activities. One of the sensitive issues is intellectual property rights and the management of its related aspects. This has started to be addressed only recently, and there is still a lot to be done.

Conclusion

Our preliminary research outlined in this article has identified the following problems, expressed in terms of needs:

- (1) the need to address and resolve creatively the dilemma of wide popular expectations of responsible leadership combined with a profound mistrust for both current local leadership practices and international leadership models.

- (2) the need for a systematic collection and development of research studies on the current state and requirements of Romanian business leadership.
- (3) the need for a systematic selection of those international leadership excellence models and best practices most likely to inspire solutions for the Romanian business environment.
- (4) the need for a knowledge transfer methodology from advanced international practices to Romania's contemporary business context.
- (5) the need for a knowledge base that could inform successful leadership training and development programs and practices in Romania.
- (6) the need to build leadership capacity and develop transformative leadership skills to successfully manage complexity and dynamic change in a globalizing business environment.
- (7) the need for an attitudinal change at the level of current Romanian business leadership, in terms of openness to authentic learning and understanding of responsible leadership.
- (8) the need for a clear national strategy and policy for supporting business leadership in Romania.

In conclusion, while being well-informed, open and receptive to international models, Romanians should find resources and initiative inside Romania to solve their own leadership problems. The social responsibility issues related to this goal should be debated publicly and followed by action by Romanian entrepreneurs, to put pressure on political factors to reform the country and provide a regulatory environment genuinely supportive of free enterprise and competition.

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ANTICIPATING LEADERSHIP FOR MANAGERS AND CONSUMERS

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Abstract. *As complex systems, organizations exist far from equilibrium where the ongoing interaction of system components leads to emergent and self-organizing behaviour. That means that the role of leadership in systems may change emerging in unexpected ways. In this paper, we start from Marion and Uhl-Bien idea suggesting that in complex systems leaders enable rather than control the future.*

While traditional views of leadership focus on the leader's responsibility for determining and directing the future through heavy reliance on control mechanisms, we underline empirical support for a new and challenging view of leadership based on a complexity perspective of organizations with implication at several ends: company, human resource, suppliers and customers.

Our findings show that as enablers, leaders disrupt existing patterns of behaviour, encourage novelty, and make sense of emerging events for others. This result of a qualitative perspective could give a new perspective on new research propositions and discussions of the implications for managers and researchers.

JEL Classification: D 19.

Key-words: complex systems, leaders, managers.

From classics to our daily way of thinking

Balance is a fundamental issue of nature as remembered from the biology lessons taken at school; according to those lessons about the process of homeostasis every living organism strives to stay in balance. It turns out that top performing companies always focus on balancing human and financial issues. Human capital is the main capital regarded as active. Without human capital nothing can happen in organisations. We are able to seize the value of human capital and the return on investment (ROI) of human capital. This is important to develop the set of measures that balance human and financial factors — the hallmark of effective organisations. What we still ignore is the feedback of all the other types of capitals within the capitalized added value and returned by the influence of ROI. This happens because we don't think to consider the investment as a complex system bringing together more than return on investment of human capital. We consider that while homeostasis in organisations is a fundamental truism of top performers there is also a down side potential to homeostasis that allow people to spend so much time on analysing and balancing, etc., that we stagnate an organisation, putting it into analysis-paralysis. Given that as the potential downside, it is still an absolute stage for long-term success. The more important macro measures include some that we have coined ourselves and some that are fairly traditional. We call the new ones human capital value added. That is a function of teasing out of the profit of the company that which is attributable to people. The formula very simply is Revenue minus All Expenses, except for human expense, which is pay and benefits, divided by FTEs. That gives an adjusted profit for human effort, per employee. That is better than revenue per employee because that is just a gross measure and specialists haven't studied too much what caused it. By using our new formula we can tell how much value added came from human effort. There's a corollary measure called human capital ROI, or return on investment, where we use the same formula. In this case, though, the divisor is pay and benefit costs. The result here is a ratio that for each unit of money spent on pay and benefits there is a certain amount of profitability. To illustrate, we can get a ratio of \$1.00 to \$2.00 or \$1.00 to \$1.65 [Euro] or

whatever it might be. Those are two fundamentals that we have used now for a half dozen years. Another more common measure is compensation as a percent of revenue. That tells us what our cost is for people to generate that amount of money. If we extend that by adding in contingent labour we call it TLC, or Total Labour Cost. We can divide that into revenue and it gives another figure that now accounts for the money spent on contingents.

Then we can start thinking another concept of RAV (return added value). Since contingent labour is somewhere in the high teens and twenty percent of total labour, those are certainly significant factor sthat we cannot ignore anymore. These days, when labor force is definitely seen as an active asset we cannot just talk about people on payroll anymore.

Organisations have to be more flexible in the way that they employ people, part-time people, temporary workers of all types, and contract workers. They should also pay attention on the indirect losses provided by medical leaves, or people leaving company with an important part of the intellectual acquired assets. The reality is that the contingent factor is getting more and more significant.

The human capital as a solid frame

The human capital is patternalized by some characteristics of its main fields that we define as: "acquiring, maintaining, developing and retaining. These sides connect to the operating units and influence them. This is why we have started to think of people as being assets. I always have to put in a qualifier. I am not denigrating the humanity of people by using these terms. I am just trying to bring into use a new lexicon or vernacular for understanding and analysing human effort. We have to be able to use a language that business people use if we want to impress them. That will be by numbers and hard data. That is what got us towards thinking about people as human assets. This was before the word human capital came along. If we speak assets language, what we have to do first is acquire it by buying it or leasing it or whatever. Once we have it, we have to maintain it.

Transformational leadership theory is studied more frequently than other leadership theories, system combined. One of the most influential theorists, Bernard Bass (Judge & Bono, 2000). Bass (1985) conceptualized leadership as three-component taxonomy: laissez-faire leadership, transactional leadership, and transformational leadership.

Transactional leadership involves influencing subordinates through an exchange process, whereby subordinates exchange efforts for rewards received from their respective leaders. Transactional leaders are focused on the present rather than the future, in that they are considered to be task-oriented (Bass, 1985). Transactional behaviours are considered to be management behaviours, whereas transformational behaviours are viewed as leadership behaviours; transformational leaders extend beyond the simple transactional leadership exchange process (Bass, 1985). Contemporary transformational leadership theory dates back primarily to Burns (1978). According to Burns (1978), transformational leadership is a process whereby leaders and followers reciprocally empower each other to rise to higher levels of motivation and morality. Transformational leadership is theorized to be multidimensional, whereby individuals who possess this form of leadership style are diverse in their behaviours and attributes, and are characterized by a wide range of leadership qualities (Bass, 1985). Avolio and Bass (1988) suggested that transformational leaders (Avolio, Bass, 1988) provide a clear sense of purpose that is energizing, are role models concerning ethical conduct, stimulate followers to question the status quo of solving problems, and encourage innovative problem solving. Transformational leaders as emergent leaders. According to Bass (1990), due to their initiative, interaction and contributions to completing group tasks, emergent leaders [1990] are characterized as individuals capable to establish conditions promoting the accomplishment of group goals and objectives, increasing members' liberty, tolerance and acceptance, and assist in the development of cohesive teams. The theory of transformational leadership is a theory of how the developmental process of the leadership role emerges within organizations.

Leader-member exchange theory describes the long-term process of role development between a leader and his or her followers (Yukl, 1998). Specifically, the followers and their leader mutually develop and define the roles of the followers. Furthermore, the leader develops separate exchange relationships with each follower. Both a special exchange relationship is forged with a small number of trusted followers, and these followers are classified as the in- group, or little mutual influence is realized, and the remaining group members are classified as the out-group (Yukl, 1998).

Leader-member exchange theory and emergent leadership. According to Yukl, the leader-member exchange theory does not describe how a leader initially comes to power, or how a leader develops over time, nor does it describe how in-group followers obtain future leadership roles, if they even do at all.

Fiedler's (1967) contingency model of leadership suggests that group performance and effectiveness is a function of how the leader rates his or her least preferred co-worker, which is measured by the least preferred co-worker scale (LPC scale). Specifically, group performance is considered to be a function of the interaction between the position power of the leader, the task structure of the leadership situation, and the quality of the personal relationship between the leader and the group.

Once meticulously reviewed the twentieth century leadership research and theory Hersey and Blanchard (1982) concluded that no single theory was complete. Leadership theories have been defined narrowly; theories focus on partial components of the leadership process, such as personality components alone, instead of ubiquitously defining the leadership role and process (Hersey, Blanchard, 1982). The situational leadership theory was devised to address previous leadership research and theory, and suggests that the effectiveness of any leadership style is dependent on the situation and the response of the followers. Specifically, the model suggests that leader behaviour completely depends on the maturity of each follower - including two components. The first component is the psychological maturity that determines the willingness of followers to perform job tasks, and involves self-efficacy and self-respect. The second one is the job maturity which refers to the follower's knowledge, ability, and skill connected to task completion. The leader's behaviour directly influences the maturity of each follower, where the leader must be able to adapt his or her behaviour to the situation and to individual follower needs.

Complex theories and research in leadership

Much of the extant leadership research focuses on established and appointed leadership roles. Although the appointed leader of a given group is considered to be the "official" leader of the group, the appointed leader is not always the "operational" leader of the group. In general, the operational leader of a given group completely and directly guides task completion, and is classified within the literature as the "emergent" leader. Furthermore, the operational group leader tends to emerge in situations in which the official leader has failed, which suggests that the emergent leadership role is a role dedicated to 'filling in a gap' caused by a deficient appointed leader.

It has been found that group members' perceptions of leadership are more likely to be formed based on the presence of a leadership schema rather than on actual emitted leadership behaviours (Rush & Russell, 1988).

The influence of the gender composition of groups has been a topic of considerable controversy for many years. The finding that men are more likely to emerge as leaders within group contexts is long-standing, and dates back to Megargree's (1969) classic laboratory study, in which men high in dominance, regardless of group composition, emerge as leaders within leaderless group contexts. The issue of gender, gender roles, and gender-specific tasks in reference to leader emergence is addressed more specifically in the sections to follow.

Intelligence, task competence, and leader emergence.

Some studies suggest that leader emergence solely depends on the perceived intelligence and expertise of the emerging individual rather than on the gender of the emerging individual, or on the quantity or quality of group participation in which the emergent leader engages (Gintner & Linskold, 1975).

Transformational leadership theory suggests that leaders move from transactional to transformational behaviour when they experience consistent exposure to a transformational leader. Therefore, transformational leaders have prior experience with enacting the leadership role. This is synonymous with the generalization of the leadership role concept discussed in the second main section of the paper. Furthermore, the ability to intellectually stimulate followers to higher levels of motivation and morality requires the leader to possess substantial cognitive ability, intelligence, expertise, and arguably, a relatively high degree of conscientiousness, which also assumes a relatively high degree of need for achievement.

Leadership for Managers

If you ask a manager what he/she does most likely will tell you that he/she plans, organises, co-ordinates and controls. However, if you watch a manager the truth is very different. Managers rarely plan – planning is a leadership functions and takes time to step back and reflect – and numerous studies show that managers work at an unrelenting pace on activities that are brief, varied and discontinuous.

Managers and leaders both require information; Managers cherish “soft” information, especially gossip, hearsay and speculation – why? Because the managers prime use for information is to identify problems and opportunities and to build mental models of how the business is working.

The heavy reliance on soft information means that the effective leader must develop excellent listening skills and the ability to sense people’s intentions. Research suggest is that inspirational leaders are good situational sensors and can “sniff out” the signals in the environments and some what’s going on without having anything spelled out for them.

So based on just these 2 qualities of leadership - planning and the interpretation of the soft information - mangers who want to be taken for real leaders can develop their self-awareness and forward- thinking? The advantages of self awareness and planning are that we become more aware of our own assumptions and prejudices and are able to move from being reactive too actively creating behaviours that will lead to success. Managers wanting to be leaders must be engaged and challenged to come to the realisation that the way they see the world is filtered by assumption and expectations, and that their decisions become self-fulfilling prophecies. Here are some questions that encourage managers to exercise self leadership:

What personal criteria am I using to assess this employee/proposal/decision?

What am I assuming to be true about this situation?

What have I not yet considered that may be relevant?

What is the outcome of this decision and what is the outcome of the outcome?

If I look back on this decision from 5 years in the future will I say that it was in alignment with the vision and mission of the company?

Proactively anticipating in leadership

The titans of business, like the masters of sport know that anticipation and preparation for change are the essence of fulfilment and competitive advantage. Success is the result of seizing opportunity before your competitors or adding significant value. Changes create new opportunities. Great players seek to seize these new opportunities. Identifying and seizing opportunities as fast as possible is essential for future growth. The source of competitiveness advantage is being a dynamic and versatile target. The best competitors adapt very fast to meet market and technology changes, always staying on the cutting edge. To win in business, today’s executives must not only anticipate changes, but shape it. Agility is vital. Dynamic

organizations thrive through agility and infinite marketplace adaptation to become market leaders. Success factors include:

- Opportunity scoping: successful leaders are always searching for market opportunities and threats, and taking quick, creative action;
- Commitment to action: you can feel the pulse rate of any group by the leaders' speed in committing to action, allocating resources (all) to pursue opportunities. Decisions are made immediately and intention is speedily translated into action;
- Constant innovation; market leaders engage in permanent innovation anticipating market demands;
- Irreproachable execution: achieving and sustaining a competitive edge requires perfection and timing, building competence, Q excellence eliminating non value adding work.

Developing the mindset and ability to embrace change is a permanent challenge requiring people to do new things while their experience, training and compensation programs support the old patterns. Changes in policy and strategy are threatening because they produce changes in targets, values, hierarchy, ranking differently. World-class competitors know that the pace of change is fastening – in technology, market segmentation and reorientation and global repercussions in the society and natural environment. Top companies have high intensity and consistent focus on markets, customers, competition, and research as moving targets. Anticipating and preparing for change provides competitive advantage and good competitive (business and emotional) intelligence provides the best way to support that challenge in a very complex and dynamic way. The best leaders judge themselves and their people by anticipation rather than reaction time. A gain obtained should be preserved while competition targets move around. Those who are not able to learn from other people mistakes will definitely repeat them. And pay the market price.

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VALUES, MENTALITIES AND LEADERSHIP IN ROMANIA

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Abstract. *The present paper explores the use of concepts in the Romanian public sphere with a view to demonstrate that there is a gap between the meaning of terms used in the Romanian and in the international discourse. Romania has been one of the important emerging markets in Europe, but the promises of increased standards of living and steady economic development seem to be still elusive in spite of occasional, particularly electoral, success stories.*

*The paper will focus on the use of the terms **values, mentalities and leadership** to offer a possible explanation for the slow process of integration to what are considered European best practices in business.*

JEL Classification: A14, D23, M14, M12.

Key words: values, mentalities, leadership.

Introduction

To be able to discuss about values, mentalities and leadership in the process of harmonisation for Romania's meaningful integration in the European Union, it is important to define first the values which are specific to the Romanian society and secondly those that this society will have to adapt to in order to become a state fully recognised as useful and respected in the European Union. For this purpose it is important to discuss briefly the concept of values in general and then the values that the Romanian society of the first decade of the 21st century has or claims to have.

What is the definition of values? The explicative dictionary of the Romanian language provides the following explanation:

Value – the feature of a set of things, facts, ideas, phenomena to correspond to the social needs and the ideals generated by these; the sum of qualities which give price to an object, a being, a phenomenon, etc.; importance, meaningfulness, price, worth.

[\(<http://dexonline.ro/search.php?cuv=valoare>\)](http://dexonline.ro/search.php?cuv=valoare)

This definition can be found almost in the same form in the dictionary of neologisms published in 2000, which allows us to get to the conclusion that the theoretical definition of the concept of value is relatively constant in time for the Romanians as well as relatively simplistic, at least in the public field, the one which is accessible without great difficulty and efforts. By comparing the above mentioned explanation to the one found in the Wikipedia public encyclopaedia, we can notice that this simple way of defining the concept is very concise. Wikipedia has an entire chapter for values with several sections where a difference is made between personal and cultural (social or group) values, with references to the theory of values, virtues, sociological and ideological norms when talking about values, etc., focusing on various aspects which offer to those who are interested an overall image of the complexity of the approach to values in the Anglo-Saxon world. This chapter from Wikipedia has an equivalent in Romanian only since September 2007ⁱ, and this Romanian version is very concise and not edited – which is of interest for highlighting the public interest in values in Romania. On the topic of *social class*, without which the discussion on values is meaningless, the same source, Wikipedia in Romanian, includes an articleⁱⁱ of 20 words also from 2007. Wikipedia is an open source, where contributions are edited and approved by peer-review, but

the existence or inexistence of an article is relevant for the interest of a specific community, even if it is a virtual one, in the respective topic. In the opinion of the authors of the present study, this demonstrates the frailty of the endeavours of the Romanian academic environment for making theoretical concepts popular, even an arrogance towards the communication of research and science to the general public – due mainly to the fact that this activity cannot be yet found on the promotion checklist in universities – and, therefore, a public lack of interest in essential fields of social life, such as the discussion about values.

Values, mentalities and leadership in Europe

Most researchers agree that the discussions on ethics and mentalities are less obvious, less “noisy” in Europe compared to the United States. This has been changing throughout the last two decades, as the integration phenomena have become more and more frequently present in the European public debate, on the one hand, and on the other, due to the fact that under the pressure of increasingly integrated international phenomena those situations which require value and moral evaluations are more and more frequently presented in the mass-media.

There is an increasing concern for moral leadership and for the way in which it functions or not in various business organisations, both implicitly and explicitly. Leadership is perceived as an inter-relationship between persons from all levels of an organisation and, at the same time, from the whole economic system, through which people are connected by different forms of interaction. The focus on moral leadership underlines the need which exists at all levels of society for leaders to understand the importance of developing and maintaining moral standards and competences within the organisations.

European thinking is fundamental for understanding the moral and axiological aspects of the leadership process not only in the European society, but by osmosis, in various other societies. Lately, the European leadership models and values have been defined mainly by comparing them to the American model, but not only.

Unlike in the United States, where there is a very rich literature on business ethics, in Europe the identity of business ethics as a discipline is not very clearly formulated. According to some researchers, this happens due to the institutional, legal, social and cultural framework specific to the United States, which focuses on regulating ethics, a good example in this respect being *The Foreign Corrupt Practices Act*. Vogel (1992, p. 30) highlights that in the United States it is compulsory for a company to recognise the importance of business ethics and to promote it directly. This situation becomes obvious especially in business schools, where most colleges and universities offer at least one course of business ethics. On the other hand, as a direct consequence of teaching this subject, there is a great variety of university books in the United States and a relatively high number of research centres whose main concern is business ethics. Vogel (1992, p. 30) underlines that the Americans have a unique approach to business ethics, the field being unusually visible in the USA and being approached, unlike in other capitalist societies, from the individualist, legalist and universalistic point of view, rather than from an epistemological perspective.

The approach to values in Europe

Most of European thinkers build their argumentation system around the idea that Europe is the home of the mainstream thinking, philosophies and good practices from the Western world. Europeans are those who first considered promoting Western ethics: the principles and approaches for evaluating and discriminating between good and evil, which were adopted by American companies, were mainly born in Europe. Most European authors make historical references going as far back as Ancient Greece, discussing Western theology, the natural and legal law, the social contract, utilitarianism and existentialism in order to demonstrate that the American ethical approaches are fundamentally based on the European thinking. An essential component of the ethical approaches is also generated by Europe’s religious heritage. The European roots are defined through the influences of the Catholic,

Protestant, Islamic religions, and it is interesting to notice that many of the universities that teach business ethics have religious affiliations. The appearance in Europe of business ethics as a subject of study has become evident from the '80s. Since then, rapid developments have taken place and the subject of business ethics has become a fertile and dynamic field, characterised by the frequent appearance of studies concerning the evolution of ethics both from the personal and the organisational point of view.

An important issue in the light of the present paper is the fact that discussions concerning moral issues and business depend to a great extent on culture and *language*. Language barriers which prevent the understanding of subtle differences in the use of concepts related to business ethics cannot be overcome just by adopting a common language, which is usually represented by American English. Enderle (1996) highlights that despite the fact that business is becoming increasingly international and that English is increasingly imposing itself as the dominant language of international business, ethical behaviour and principles are still deeply rooted in the culture of each individual or business community. Apart from the main flow of texts in English on the topic of business ethics, there are national concerns and discussions related to the philosophy of business and the moral concepts that characterise capitalism, to the new work relations, concerns for employee as well as employer loyalty, etc., which materialize in studies written in other languages than English. For example, the evolving literature in German is not part of this flow of translations from English, which narrows the apparently universal discussion issues presented in the specialty international literature in English. On the other hand, there is an increasingly important anti-American trend which has as a consequence the fact that some countries wish to distance themselves from the American texts and study books; this means that students receive *imported* versions of business ethics, study books that were translated or adapted in the respective languages, rather than be encouraged to develop their own mechanism of understanding based on their own language and cultural identity. In the same time, the insufficient knowledge of the language used in books on business ethics, as well as on the philosophical traditions of various cultures generates situations when the cultural content of some specialised texts remains impossible to decode for a foreign reader despite a good knowledge of the respective language.

The examples taken from the European business environment reinforce the image of business ethics as a science of the society, especially of human interaction and social structures. In Europe the evolution of economic structures is an organic part of the European history influencing the development of ideas and assumptions of how business should be conducted. In practice this amounts to the fact that there is an important economic, political and historical European input in approaching business ethics as a social science. There are of course major differences in ways of approaching business ethics throughout the European Union, but as the mobility of teachers and students is increasing, it is possible to notice a convergence in the approaches to these issues.

The approach to values in the USA

As mentioned above, the American approach to the study of values is consistent and public, and is based on a solid academic and legal infrastructure. Both the debates taking place in the American society concerning the morality of business activities and the various academic or pragmatic positions towards certain concepts coming from several industries are numerous. The existence of a large number of courses on business ethics, leadership, leadership and managerial strategies, at the level of secondary and especially higher education, with a mature market for training and self-development courses provided by both private firms, as well as by the academic community through specialised centres gives an overall image of the pragmatic approach to these concepts in the American society.

One of the bestsellers published in 2004 was David Callahan's book entitled *The Cheating Culture – Why More Americans Are Doing Wrong to Get Ahead*ⁱⁱⁱ. The book is a

pertinent, documented and readable radiography of the contemporary American society, with an analysis of the most delicate areas subject to ethical dilemmas: the education system, the financial administration and the individual and corporatist taxing system, the mass media, the sports industry, and especially the world of great business. Callahan underlines the fact that in an economy where what really matters are figures and the profit margin it is difficult to assume that economic actors, no matter on what level, will choose the difficult and not always successful path of solving tasks in accordance with the increasingly complex and hard to follow rules and legislation which gave birth to one of the most profitable service markets – that of legal consultancy and assistance.

The approach to values in Romania

Starting from the definition discussed in the introduction to the present study it is interesting to identify the values perceived as important by the Romanian society in this moment of its existence. One of the relatively few accessible recent surveys is the one carried out in September 2005 by IRSOP at the request of the European Union and which is entitled “Romanian and European values” (IRSOP, 2005). The survey conducted by IRSOP was considered to be a national survey representative for the adult population with an age of over 18, on a sample of 1001 subjects, with an error margin of $\pm 3\%$. The respective study was based on personal face-to-face interviews conducted at the respondents’ homes.

Interestingly enough the survey starts from Constantin Rădulescu Motru’s book “The Psychology of the Romanian People” published in 1910 with the following quotes:

People in the West build to last, while Romanians improvise.

Romanians work in bursts, not methodically; they have long periods of rest, but if need arises they work hard, just like slaves They also waste their time in a way Westerners do not.

Romanians consider the infringement of law as a sign of power and social recognition.

Businesspeople elsewhere are feverishly consumed by the thoughts of work and concerned by the risk of battle; the Romanian businesspeople’s souls display the ability of the politician.

More often than not the profit of the Romanian capitalists results from the craftsmanship with which they use the state budget as if it were their own.

We want to adopt the cultural goods of the Western world using the same spiritual abilities with which we managed so well to go through the unfortunate moments of our past. (IRSOP, 2005, p. 3)

It is not very clear whether the authors of the survey started from the quotes above in order to demonstrate that the Romanian society is different today from what it was almost 100 years ago or rather they just wanted to offer quantitative substance to Rădulescu Motru’s conclusions in 1910. No matter which the case is, if we analyze the results of the personality profiles for the Romanians in 2005 we discover that they are not so different from a century ago as compared to the “people in the West”.

Romania still has a poor image management, but it is a pleasant surprise for many Westerners. Romanians often give greater importance to interpersonal relations at the workplace than to their professional objectives which disconcerts Westerners. The delimitation between someone’s private and professional life is much too fragile, in contrast with the strict separation of these aspects in the life of people in the West where the demarcation line between private and professional is very clearly established. Romanians also love to talk about themselves and about others. Nevertheless, it is possible to notice a certain evolution of cultural traditional values towards the West-European ones, a process which has become more rapid after the accession to the European Union. The study conducted at the request of the Delegation of the European Commission to Bucharest shows that the European political values (pluralism, rights of the minorities, equality between men and women,

freedom, democracy) are to a certain extent rooted in Romania, but that there are also non-European “values” which are relatively widely spread: corruption and lack of respect for rules, authoritarianism, a conservative family system, ethnical and sexual stereotypes, intolerance.

It is important to offer a brief, and therefore superficial, overview of the way in which Romanians have perceived their leaders throughout their history as this offers – in our view – an important perspective on how contemporary leaders are perceived. The dimension of the present paper excludes the possibility of including even an attempt to analyze this topic, but we considered it useful to make several references to the most admired and/ or controversial historical figures of the Romanians.

One of the extremely popular instruments used to establish who are the most attractive leader figures in the Romanian history was an extremely successful show called “Great Romanians”^{iv}, which ended in 2006 with the following classification:

1. ȘTEFAN CEL MARE (77493 votes)
2. CAROL I (52474 votes)
3. MIHAI EMINESCU (50640 votes)
4. MIHAI VITEAZU (48725 votes)
5. RICHARD WURMBRAND (46973 votes)
6. ION ANTONESCU (27483 votes)
7. MIRCEA ELIADE (17019 votes)
8. ALEXANDRU I. CUZA (16383 votes)
9. CONSTANTIN BRÂNCUȘI (14831 votes)
10. NADIA COMĂNECI (11825 votes)

Various interpretations of this classification can be and were actually made, but for the present discussion we consider it relevant to focus on the fact that the Romanian society is very much oriented towards the past (the high number of participants in the survey justifies such a generalisation, otherwise debatable from various points of view). At the same time, it could be claimed that six out of ten choices are emblematic figures for the ideal of national unity and Romanian continuity in the territory generally described as the area between the Carpathians, the Danube and the Black Sea. The elements that gave birth to the new Europe after the fall of the Roman Empire were however not continuity, but evolving **history**^v, the successive waves of migrating peoples, similar to the contemporary waves of economic migrations directed towards the European Union and perceived as threatening by Westerners who fear that they will lose their social comfort because of the “barbarians” pushing to get access to the welfare benefits and lifestyles projected by the film and media industry thus endangering an already fragile social balance.

It is difficult to predict what solution will be found for the crises triggered permanently by the pressure of people willing to accept minimal wages, without social security, or black labour only for being able to earn substantially better than in their country of origin, unlike the EU citizens, who are selective concerning the type of activity they perform and the expectations they have from their employer. It does look however like a subtle irony of history that similar to Stephen the Great who was considered *the athlete of Christianity* guarding the borders of a Europe always threatened by invasions, nowadays Romania, the newest member of the EU, finds itself having borders with the “non-European” world and the task of protecting them according to the latest state of the art to defend the work places of the EU citizens against the Moldavian, Ukrainian or Asian invaders.

This state of facts is also remarked by foreign researchers, who highlight that the former “East-European pearl” used its Roman roots to reinforce its western orientation and its geostrategic position as a natural obstacle against the Russian expansion and has become, according to the official political discourse, the last outpost of “civilised” Europe (Rohozinska, 1999). But this does not solve and does not explain why Romanian society is still dominated by stereotypes according to which the Western world, now represented by the

European Union and not only, should be grateful that we exist and should direct their financing towards us, especially through structural funds, without expecting too much in return. The leaders of this country have the duty to find resources of political willingness to offer new, performing managerial structures that allow citizens to develop their leadership skills for becoming professionals in their own field of activity, without the necessity of using history as an excuse for the lack of real progress and social gaps in Romania, which are exclusively caused by the “others”, not by ourselves. The Report of the Institute of Projects for Innovation and Development (2008) shows that the only chance for a good future in Romania is a **profound and radical change of the mentality concerning the role and the functions of the intellectual elites in the modern society**. In this respect, the authors of the report consider that it is necessary to create networks of national projects and to participate in international programmes, fully using the policies and instruments Romania has access to as a full member of the European Union.

Another interesting, but not very frequently discussed issue is the one concerning the analysis of the period 1945-1989 from the perspective of the leadership system and the values of that age. We will try nevertheless to offer a brief overview of that period because it is a natural and necessary endeavour which explains some of the deficiencies of the contemporary practices. The stereotype used when approaching the communist period is that the activity of leadership was taken over by Ceaușescu. In this situation, is it meaningful in any way to discuss the “scientific leadership” practices of those years? We believe the answer is yes. And we consider it useful to identify those practices at the middle and even at the grassroots levels of society for the simple reason that the Romanian society of those years functioned within the constraints imposed by the top leadership – which led to the well-known disaster. The lack of communication and the complete refusal of the “top” to listen to the opinions of the specialists/experts and to act accordingly were among the main elements that triggered the crisis. One of the leader’s attributes is to listen and to correct decisions according to the feedback offered by those with whom s/he works in a sincere partnership.

It is relatively difficult to study objectively the period 1945-1989 for at least two reasons: a) there is an unexpectedly serious lack of information due to the destruction or to the misplacement of a large number of archives, documents, etc., and b) the emotionally dominated discussions tainted by acute political biases which still pervade most of the attempts to professionally evaluate the respective period.

“By trying to obtain legitimacy in the country and by adopting a specific type of economic nationalism, the communist leaders – and especially Ceaușescu – made efforts to turn Romania into an industrial fortress; the forced industrialisation, the hyper-centralisation of decision-making and the avoidance of the “international socialist division of work” are key-concepts used to describe the economic policy strategy throughout the entire period of communist leadership. The result is known: along with the elements characteristic to a command economy, the country was left with an excessively diversified and oversized industry, outdated technologies, big differences between the economic sectors, a poor agriculture and one of the lowest life standards in Europe. (...) At the end of the ‘80s, the Romanian economy, the country, the people offered a desolate picture. After more than four decades of forced industrialisation, the competitive character of the economy was the lowest of the “communist league”, the differences between sectors and the poverty were increasing, people’s sufferance was unimaginable; Romania was far behind the neighbouring countries from the point of view of the institutional premises necessary for the post-communist transition, the psychological preparation of the population for sudden changes and the social basis of reforms towards the market economy. Apart from these, the “shock therapy” of the ‘90s gave people the hope of an immediate and substantial improvement of the material conditions after the replacement of the leaders (or of the regime), which determined a high degree of intolerance to new austerity measures.” (Dăianu, 1996, p. 111)

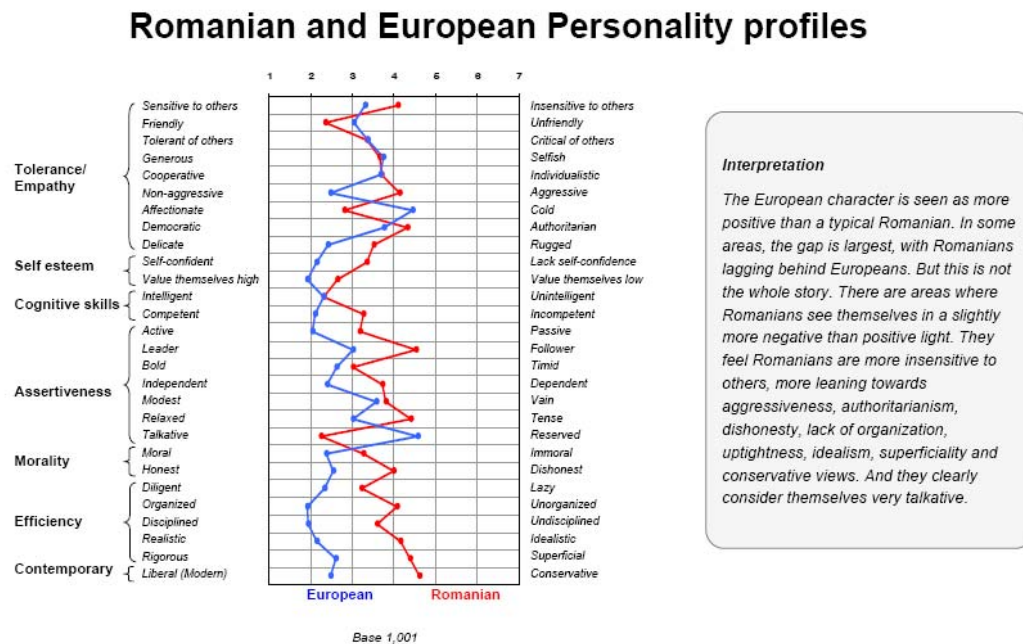
The impact on the social sciences was terrible and with the exception of a short period of relaxation between 1966 and 1971, the regress was constant and humiliating for good faith professionals. The isolation from the international scientific world and the reduction or the destruction of the scientific infrastructure were means of eliminating the efforts to doubt the official policy. The monthly magazine *Economic Issues* – the only magazine of economics in Romania – stopped being printed at the beginning of the 70's, after it published a long and unconventional debate on the economic strategy of the country (Dăianu, 1996).

Nevertheless, there were concerns for connecting the Romanian thought to the international one. It is interesting to identify in the academic publications of that period the presence of international ideas, of American references, due to which the respective publications looked like a sandwich: an introduction containing the portrait and homage brought to the “leader”, the realistic presentation of the data encoded in the political jargon of the day, but based on professional research, partial, but relevant conclusions, transparent beyond the actual words and, finally, the official conclusions expressed ambiguously to ensure the publication of the book.

In the study *Perfecționarea organizării conducerii întreprinderii*, Nicolescu (1986) performs a structural analysis of the leadership activity in some Romanian enterprises in that period using the dominant model of the '70s. The analysis is based on a study conducted in 30 organisations, called in the discourse of the period enterprises and industrial plants, and the conclusions are close to what we refer to nowadays as good leadership practices, expressed of course in the same accepted jargon of those times.

We may conclude that the issue of **leadership** was and still is critical for social and economic development. Although at present the power of people is increasing continuously – this being the very essence of building a functional democratic society – leadership represents a problem for emerging societies, which have for decades been deprived of a real political life and in which political leaders are a *newly-born industry*. Identifying good leaders is more difficult when the society is less transparent due to the inflexibility of the former communist regime, which affected the clandestine political education of the future leaders (Romania's case is remarkable from this point of view). Apart from a clear vision and professionalism, good leaders need popular support when unpopular measures need to be implemented; they have to combine the virtue of knowledge with a high moral level and with the policy of consensus, the latter being easier to achieve when several segments of the civil society are actively involved in the elaboration of policies (through public debate). The quality and morality of leaders are essential values for maintaining popular support for policies which do not necessarily have the expected result (Dăianu, 1996, p.150).

One of the few cultural studies on the profile of the Romanian employee and therefore on the values of the Romanian society in the economic field in general and in business in particular is the book *Employescu* by Adina Luca. Luca produces a replication of Geert Hofstede's classical study of the cultural dimensions using as a data base the surveys conducted on demand by Gallup Romania. The study demonstrated that Romania has the same values as other Balkan countries: great authority distance, high collectivism, femininity, high risk-avoidance and short-term orientation, which situates it at the opposite pole from the Anglo-Saxon countries, from which it nevertheless borrows all the managerial and human resource management practices.



Based on the question "The following characteristics have been found to be used by persons in describing themselves or other persons. Each characteristic is represented graphically by a scale. Please mark an X indicating the location on each scale where you presently picture a typical citizen or person from WESTERN EUROPE/ROMANIA."

Figure 1. Self-perceptions and values declared by Romanians in 2005. Source IRSOP, 2005, p. 4.

One of the relevant areas for the present discussion approached in the study conducted by Luca is the complex of authority and the leadership style in business. Romanian employees have the complex of authority, which creates difficulties in using any leadership style due to the difference between the behaviour demonstrated when perceiving inequality and distancing oneself from the authority and the hidden expectations of working in a consultative and participative environment. This oscillation between real and ideal situations is constant and unexpected from the perspective of people coming from a different culture. It appears especially when the leader, exasperated by the apparent passivity of the employees, makes use of more authoritarian methods to obtain faster results. If the leader is not aware of this difference, he will start using the authoritarian style in most cases and will later discover that he was left to solve the problems of the organisation "alone", as the subordinates distance themselves progressively from such behaviour.

Romanians need to be close to power structures and they want to be treated with confidence, to be able to express their fears freely and even to be allowed to avoid decisions they perceive as risky. They also wish to have a leader who is ready to take risky decisions in their place and who offers his support when they try something different. This expectation concerning the bosses' behaviour (paternalism and in the same time consultancy) is contradictory and may seem impossible to fulfil, but on the other hand it indicates that the participative system will be more successful in the Romanian society than the authoritarian one. The same assumption can be applied in organisations: a democratic leader will obtain more successes through his employees.

CONCLUSIONS

- As a member state of the European Union, Romania needs to make efforts to rethink its research priorities, to overcome local provincialism and institutional clichés, to clarify its concepts and to integrate itself in the mainstream of the international management and leadership ideas and good practices.

- More studies and academic research are necessary in order to create a model of good leadership practices and of a Romanian cultural managerial profile. This involves a high level of collaboration, but the Romanian society is still fragmented and territorial.

- Romanian society needs to be connected to the real meaning of those values and mentalities which are internationally operational not only at the top, by changing the roles and functions of the Romanian intellectual elites, but also at the grassroots, which means across the entire society.

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Cf. Neagu Djuvara, Thocomerius – Negru Vodă, Un voivod de origine cumană la începuturile Tării Românești, p. 9.

RE-ENGINEERING PARTNERSHIP AND LEADERSHIP IN UNIVERSITIES



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Abstract. *Partnership and leadership are critical approaches in the current ever changing economic, social, political and natural environment of every organization, be it a simple one or a more sophisticated entity.*

Universities are complex organizations, traditionally perceived as highly conservative bodies fighting their academic freedom to teach and research. While nobody is questioning that defining freedom of universities, the latter only fulfill their public mission by integrating into their respective environment and playing an active role in the progress towards the knowledge-driven economy and society. That means universities have to modernize if they want to demonstrate their real potential under the pressure of new innovative providers entering the higher education sector.

In reengineering the organization of universities, leadership and partnership should be seen as vectors of their increased competitive advantages. It is generally recognized that universities are expected to be more responsive to the needs of a changing society, which means:

- *On one hand, strengthening their dialogue with employers and other external stakeholders, to improve the communication to the rest of society.*
- *On the other hand, changing the institutional culture of universities and reviewing the role of their leaders and governing bodies.*

The paper researches recent changes in the institutional behavior of some universities which aim to make them more effective and responsive to the needs and expectations of businesses and of other social partners.

JEL Classification: I 21, H 41, J 48.

Key-words: autonomy; professional and managerial competences; functions of a university; mission of a university; university leadership; leader; organisation; partnership; reengineering the university management, accountability; university; entrepreneurial university.

Universities are traditionally perceived as conservative institutions, which struggle to defend their freedom to teach and research. Reaffirmed at the end of the 1980's through the *Magna Charta Universitatum*, this academic freedom is generally not contested by the contemporary society, but universities are more and more frequently being evaluated differently, according to how they fulfil their public mission, to how they interact with the stakeholders interested in the quantitative and qualitative outputs of their functioning, to their role as engines of progress towards the knowledge economy and society.

It is easy to guess that the results achieved by universities are different because their management deals with the various aspects of the leadership function by applying various theories and practices which have distinct effectiveness. On the other hand, the institutional strategies and the subjacent policies are different, because *university leadership* encompasses attitudes and behaviours which vary both from the perspective of the relationship with the members of the academic community and of the *partnership* with institutions and organisations from the national and international academic and extra-academic environment. The multiplication of organisations, their presence in all the areas of activity leads to the conclusion that nowadays we are living in a "society of organisations" (Mintzberg, H. 2004).

The university itself is an extremely complex *open organisation* with a mission, a vision, public functions and its own objectives within the society. The *complexity* of the university appears due to the fact that it incorporates human resources, financial and informational assets whose combination is essential for the existence of the various activities carried out in the faculties, the teaching departments, the operational departments and offices of the institution. The university has always been an open organisation as it creates new values (academic qualifications, as well as scientific results and/ or artistic artifacts), which are offered to and brought into play within society.

The predominance of the principles which are specific to market economy, the impact of the internationalisation process and the new information and communication technologies have enhanced the character of open system of the university. They have generated in some universities the concern for becoming pro-active, for being entrepreneurial in identifying and taking advantage of the opportunities offered by the society. These have proven to be successful universities which attract not only students, but also resources and new missions. Other universities have remained inactive and have preferred to act only as passive-responsive entities, which are content to respond to the demands of the extra-university environment. As the university market is relatively crowded on the supply side, such introverted universities (often referred to as “ivory towers”) are easily left behind by those which have an active approach and prove flexibility when faced with the requirements and the expectations of the students and other natural persons, on the one hand, or with the requirements and expectations of the other institutions and organisations of the society, on the other.

In order to achieve its objectives, the university is provided by law with an internal operational administrative framework assisted by a financial-technical-economical support framework and by a managerial system. Put together to work, these elements are meant to allow the optimal organisation and development of the education and research activities.

The complexity of the organisation called “university” is also given by the fact that within this organisation there are specific activities and processes carried out to achieve the common objectives enlisted by the academic community in its strategy of institutional development (Nicolescu, 2007). These objectives envisage the following aspects (Korka, 2002):

- *the formative function* (the initial tertiary education), which is represented by the response given by the university to the social need of encouraging the new generations to develop their ability to work and of favouring the quick insertion in the professional life through academic qualification;

- *the innovative function*, which involves stimulating research and capitalising the original scientific creation and innovation, without which the society would be unable to make any progress;

- *the professional mobility function*, which means offering professional assistance to the trained representatives of the active population in their concern to adapt rapidly to the changing requirements of the labour market for highly qualified employees and to take advantage of the opportunities provided by the new information and communication technologies, of the internationalisation process of the economical, cultural and political life;

- *the function of perpetuating the education and research capacity* of a university consists in creating internal premises for selecting, attracting, motivating, encouraging the development and ensuring the loyalty of *young* members of the academic community;

- *the cultural function* – also called the culture transmission function – consists in producing and disseminating by the members of the academic community of the cultural and scientific creation in the extra-university environment, by making use of various means of communication, from the personal dialogue to an active presence in the mass-media;

- *the political function* involves the constant promotion and protection of the democratic premises of the social construction and of the government in promoting active citizenship, professional morality and ethics in all the aspects of the activity and the life of the members of the university community.

The quality of education and research is the only guarantee of the attractiveness and competitiveness of a university in fulfilling all these functions in a dynamic, highly competitive environment. The more performing the educational programs offered by a university are from a qualitative perspective, the more spectacular the results of the scientific research of the members of the academic community and the better the fulfilment by the university of the other functions, thus becoming a source of progress and a reference element for society.

In the 19th century, the university was perceived as a representative institution of the national state due to its decisive contribution to the formation of the political, professional and artistic elite, to the creation of that large critical group of specialists working in the public service, without whom the public administration cannot function and the modern state cannot achieve its mission. On the other hand, without the involvement of the higher education research centres it would have been impossible to notice the progress made in the field of health protection, civil and military technology, information and communication, to name only some of the many areas of human knowledge in which amazing progress has been recorded in the last century.

Throughout the 20th century, the university has diversified its interface and responded more and more frequently to the interests and expectations of other beneficiaries than the national state. More European and American universities have developed due to answering to specific demands originated in the economic, social and natural environment of the region where they perform their activities. Without completely neglecting the formative function, some universities gave priority to research and development projects requested mainly by businesses. Other universities preferred to open themselves and offer mass access by focusing on the initial bachelor degree studies having longer resources for being competitive in the field of the master and doctoral degree studies at the same time neglecting scientific research.

But the university does not only belong to history. The university has an important role to play in the present and in the future, in a context in which the concept of higher education itself is going through a deep reconsideration of the modalities of responding to the expectations of the extra-university world, as well as of the means of dealing effectively with the challenges of the future and with the potential opportunities (Zgaga, 2007). Both on the short and on the long term humankind will depend to a great extent on the highly qualified professional competences and on the knowledge acquired through research. It is becoming increasingly obvious that in the knowledge society progress depends on the original scientific creation, on the knowledge acquired through education, on the science put in practice with the purpose of improving the natural, economical, technical and social conditions of human life. The university is in that favoured position of keeping and creating science, of training through and for science.

It is not possible to say that now, at the beginning of the 21st century, the higher education sector is going through an existential crisis. Nevertheless, the contemporary university is faced with a series of challenges originated in its relation with the state, with the other actors from the national and international extra-university environment. The university must find appropriate responses to these challenges from an academic, managerial, financial and logistical perspective. Before discussing the necessary re-engineering of the university management, and within it the redefinition of leadership and partnership, it is worth making several comments concerning the relation of the university with the central public administration institutions which represent the national state and of the integrative structures.

The university generates remarkable economic and social benefits only to the extent to which the public policies concerning the higher education sector are complying to the functioning mechanism of the modern society. First in the USA, then in the European countries, the higher education was affected by the fever of increasing the access to education, but only few states were concerned with creating input levels that would ensure the preserving of an acceptable quality of the teaching-learning process, as well as a favourable balance

between the resources used for fulfilling the two primordial functions of the university – formation and research. A study published by *The Economist* in mid May 2005 concluded that: “*The problem for policymakers is how to create a system of higher education that balances the twin demands of excellence and mass access, that makes room for global elite universities while also catering for large numbers of average students, that exploits the opportunities provided by new technology (on-line education), while also recognizing that education requires a human touch*” (Korha, 2006)

What kind of leadership does a 21st century university need?

In its essence, the modern university is an *adhocratic structure* – an organisation of specialists – which is based on gathering professionals from various fields in temporary teams meant to solve complex and highly creative problems such as organising study programs (bachelor, master, doctoral studies), developing research projects that are independent or correlated with the education activity (in master, doctoral and post-doc programs).¹ Such a structure is profoundly organic and it is characterised by a low formalisation of behaviour, but a high professional specialisation on the horizontal, which confers it organisational flexibility, the premises of interdisciplinary cooperation based on creativity. Such an institution is managerially decentralised on projects and programs, and has a matrix organisation, which makes it the most effective organisational structure from the perspective of the knowledge society.

Obviously, *the leader of a modern university* cannot be only an *official authority* endowed with the *competence to lead* granted by a superior hierarchical structure (appointment made by the minister). The leader must possess a *personal authority* based on *professional and managerial competences* freely acknowledged by the members of the university community as beneficial for the interests of the university. He must be not only a healthy, strong, temperamentally stable, sociable, honest and modest person, but also a strong and credible personality (Duluc, 2008), a catalyst and a visionary spirit who is brave and willing to understand and to implement new elements, to promote flexible organisational structures and to share responsibility with the members of the team together with which he manages the university.

The leader must understand that the university should not aspire to a homogeneous organisational structure, because the numerous objectives require various instruments to implement the policies necessary for achieving these objectives. For example, the management of the bachelor studies (meant to help students to learn, understand and apply appropriate concepts, methods and techniques in defined contexts) is not and should not be the same as the management of the master and doctoral studies (based predominantly on individual and team research of new topics which are generally or incompletely defined). On the other hand, the management of the tertiary education cannot be compared to the management of the research teams or with the management of the technology transfer from the view point of the principles and instruments that are used. (Aghion et al., 2008)

In many European countries, the universities fight against the tight and rigid provisions of laws which are not adapted to the requirements of prompt and adequate reaction to the initiatives of the competitors represented by other education program providers. The universities must also have autonomy of decision and prompt reaction in their relation with the business environment. The traditional collective decision-making mechanisms (weekly meetings of the executive board of the university) cannot match the expectations of the extra-university partners, who expect to receive real-time reactions.

It is also important to mention that more institutional autonomy and flexibility in the decision-making mechanisms will not lead to the loss of the characteristic of *public good* of the education and research in a university or to less *accountability* concerning the efficacy of the use of material or financial resources in the university in order to *achieve the publicly assumed objectives*. (Zaharia, 2008) The main challenge for the universities from the emerging European Higher Education Area is the identification and implementation after

2010 of a *new institutional order* which would ensure a balance between the autonomy of each university and the coherence of the higher education system nationally and internationally.(Maasen, 2008)

The leader of a university does not necessarily have to be a member of the academic community he is going to lead. The experience of numerous American, Australian, English or South-African universities has proven that the choice of a powerful personality willing to assume the leadership of the university and to promote its cause by a mixed committee – with members both from the university and the extra-university environment interested in the good functioning of the institution – is in the great majority of cases more beneficial for the progress of the university than the choice of a professor of the university – even if he or she is a renowned and respected scientific personality – in the position of president or rector. In almost all cases, the choice is made based on the rules of the proportional representation within a community in which the management is voted “democratically”, but this democracy is affected by the linearity of the voting system through agreements and promises, because respecting them usually means creating vulnerable points for the newly chosen managerial team.(Karha, 2008)

The numerous dysfunctionalities noticed regularly in the traditional management of a university impose the *reengineering of the leadership system*. This process starts with the elaboration, the adoption and the implementation of the new institutional strategy (based on redefining the mission, the vision and the objectives of the university), continues with the choice of the adequate management instruments and with the reengineering of the organisational, informational and decisional systems.(Verboncu, 2005)

The necessity of reengineering the leadership system and the partnership policy is reinforced by the multiplication and diversification of the problems that a performing leadership, capable of generating competitive advantages for the institution, must face. Adapting the entire management to the principle of permanent quality assurance, to the accountability of all the members of the academic community for the quality of the education, research, administration, etc. process in which they are involved, doubled by a system of moral and financial rewards for the best achievements will probably ensure the effectiveness of the new university management.

The partnership with other universities for organising study programs, for promoting and carrying out research projects, as well as the contractual partnership with agents from the extra-university environment bring in the university an increased influence coming from other organisational cultures. The university must possess the freedom/ flexibility to adapt to the specificity of these partnerships to achieve the target for which such commitments are made. The purpose is not to give up the mission and the functions of the institution, but to obtain decisional autonomy for choosing the most effective collaboration ways and methods meant to improve the reputation, the attractiveness, the research performance of the university or to increase the revenues.

The leader of the managerial team has a great influence on the choices that the new management of the university makes. This is why we consider that the philosophy of university leadership itself must be reengineered and adapted to the modern age in which the competition between universities is in correlation with the association and the partnership between institutions, with the alliances and the agreements with the agents of the business environment. Only a dynamic and flexible leadership, adapted to each circumstance and to each assumed objective can lead the university on an ascending path of attractiveness and performance.

It is common understanding that one of the premises of success is represented by the quality and loyalty of the entire staff of the university, and this is acquired by the leader through a well balanced policy of motivation, loyalty incentives and improvement of the professional and managerial competences of his collaborators by delegating responsibilities and by developing the leadership team spirit.

Note

⁽¹⁾ Some of the structures of an adhocratic organisation (the library or the printing house of the university, the students' hostels and canteens, the career consultancy and the student services) can function through mechanical bureaucracy.

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MORE PROACTIVE LEADERSHIP NEEDED IN ROMANIAN ECONOMIC AND BUSINESS HIGHER EDUCATION

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Abstract. *In the context of the 21st century's topical challenges regarding quality, transparency, decisional autonomy, sustainable development and pro-activity in identifying and managing resources, most countries are engaged, to different extents and with various results, in promoting a knowledge-based societal evolution. The new education and training model specific to the knowledge-based society has to conceive new means to offer to learners new competences, abilities and skills, a new pattern of behavior and a new organizational culture. In the context of this new society, all social actors have to become stakeholders in the learning process. This is not an option but a mandatory condition for surviving and becoming competitive in the internationalized markets. There is a broad consensus in the academic and non-academic area on the need for a structural reform of the Romanian education and training system, but there is still a lack of clarity on the type and the depths of the reform. The present paper explores the weaknesses of Romanian business and economics education and highlights the strengths of the system to suggest improvements.*

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Key-words: education in economics and business; quality assurance in higher education; knowledge-based economy; strengths; weaknesses.

Globalization means living in a world of opportunities and challenges. One of the most important trends in the international economy in recent years has been the globalization of economic and business activity. International and domestic economic activity of all kinds has been on the increase. World trade in goods, services and intellectual property rights has grown significantly faster than world output and capital flows have grown faster than world trade. Some of the major features of the globalization phenomenon have been the development of global finance and financial markets, the spread of knowledge facilitated by improved communication, the widespread availability and use of technology, the active expansion of multinational companies, the decoupling and decentralization of economic activities within and between companies, the blurring of nationality of multinationals, the development of global oligopolies, reductions in barriers to trade and investment, the increased importance and power of supranational organizations and emergence of regions and regional identities that transcend borders.

The result has been unprecedented globalization of competition and competition for attracting economic activity. In this very challenging environment, the role of human capital sharply increasing. *“If globalization, as many say these days, is no-stoppable train, it seems to be a rather selective one in admitting passengers aboard”* (Sakbani, 2005). Economies endowed with well-developed production capacities and international marketing networks, with access to new and advanced technologies and to reliable financial resources, and possessing skilled and educated cadres, can get on board to reap significant gains. It is a system where the benefits accrue to the capable and prepared. *“Those who do not have the products and services to sell or the means to market them will assuredly be left in the station. And the same is true for individuals who do not have the human capital and requisite skills for global jobs”* (Sakbani, 2005).

Emerging economies, as Romania is, are opening up many opportunities for companies and universities to the international markets. Competition for capital flows, the rising tradability of visible and invisible assets and the unprecedented increases of human capital mobility are current facts, a country as Romania need to cope with. The gains from globalization and European integration should allow our country to become better of and, by investing in new competences, to be in line with the new trends of globalization. Globalization today is an outcome of a large panel of political, economic and technological changes that have provided impressive benefits for all of us. Higher education is a sensitive system which has an input and an output, and its effectiveness is expressed by costs, infrastructure and human resources. As two well-known scientists noticed “*the river flows into the sea, and the school is a closed chapter for those who have left it*” (Giarini, Malitza, 2003). It could be argued that higher education institutions should pass from conventional education to new learning, and have a wider contribution to the economy and society through different types of partnerships with business environment and public national and local authorities. The leadership of the modern university must move from a system of elite to mass higher education, be in line with challenges of changing patterns of skills demands in the labour market, introduce new ways of delivering education and training programs intensive in information and communication technologies, change the patterns of knowledge production and dissemination.

The key for success in the new international and European context in which, the central idea is assuming and taking advantage of the values of knowledge-based economy, is represented by the optimization of the way in which the intangible assets are managed.

The new key elements of the redesigning the architecture of knowledge society could be considered: “*Increased codification of knowledge and development of new technologies; closer links with science base, increased rate of innovation, shorter product life cycles; increased importance of education, up-skilling of labor force, and lifelong learning; investment in intangibles (R&D, education, software), greater than investments in fixed capital; greater value added now comes from investment in intangibles such as branding, marketing, distribution, information management; innovation and productivity increase more important in competitiveness and GDP growth; increased globalization and competition*”. (Dahlman, 2002).

In the context of the challenges related to quality, transparency, decisional autonomy, sustainable development and pro-activity in identifying and managing resources, tendencies that define the beginning of 21st century, most of the countries in the world are engaged, to different extents and with various results, in promoting a knowledge-based societal evolution. The risks derived from not using or under-optimal use of intangible assets arise because of perception and management difficulties determined by their nature, as follows: (Dragomirescu, 2005)

- the intangible assets have a subtle and volatile existence because of the immaterial character;
- as a rule, these assets do not present dedicated, foreseeable and controllable uses, but offer the possibility of multiple actions, sometimes unpredictable ones. Their selective putting to use implies expert-based options;
- the use of intangible assets represent a source of autonomy for the involved individual and collective actors and, in the same time, favours their self-organizational behaviours;
- this use requires specialized competences of information and knowledge management, as well as sophisticated procedures and technologies;
- although the intangible assets, under certain circumstances, may be capitalized, and many of them may be the object of transactions, their economic value is not an intrinsic one, but it is based on its recognition by the interested societal actors;
- some intangible assets are formed outside the organization it they refer to and function to a lesser extent under its direct control;

- for the entities that own them, the intangible assets simultaneously generate both strengths and weaknesses.

A survey conducted in 2001, which used the Delphi method, within the project **“Information society – knowledge society”** (administered by the Romanian Academy), concluded that further delay of the actions aimed at positioning at strategic level the intensity in knowledge of the measures for economic development *“would draw the major risk of situating our country outside the fundamental tendencies at international level”* (Filip, Dragomirescu, 2001).

In a context in which innovation and learning become endogenous factors of economic growth, deeply rooted in the sustainability coordinates (Carlson and Eliason, 2003), the intellectual - intensive products and processes continuously increase their role, as far as the industrialized economies are concerned (McKeon, Weir, 2001), and the organizational and societal performances depend, to a large extent, on the way in which the intangible assets are put at good use (Lang, 2001).

We are witnessing with a change of paradigms from traditional economy towards a new economy. As is pointed out in the initial version of Lisbon Strategy, the fundamental goal of European Union was *“to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion”* (European Council, 2000). After five years the reconsidered objective is *“Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimization of human capital”* (European Council, 2005).

A long time ago, the Austrian economist Friedrich von Hayek, considers that the fundamental issue of the economic science is not that of studying the way in which is possible to optimize the use of scarce resources in order to satisfy growing and contradictory needs, but analyzing the efficient use of information and knowledge that exist in considerable quantities within the society. Despite the fact that it is important to know *how* and *what* ought to be produced, and to whom we should try to provide these results, it is also important to understand the process through which the knowledge on the way to produce and deliver goods and services are adequately used, because nobody, either manufacturer or consumer, in a modern society, does not have prefabricated knowledge on all types of inputs, methods of production, fundamentals of consumption, evolution of consumption habits etc. In a world that is in a continuous and dynamic state of change, each economic actor only has a part of the available knowledge and information and the only by putting them in a synergic architecture may succeed in finding solutions to the challenges put by the turbulent environment specific to the nowadays global economy.

In the new national and international context, Romania has to pay die attention and appropriately deal with many challenges among which the most important are: *determination with regard to the commitment to the values of the European higher education area and the European research area, the modest performance of the Romanian universities in international rankings, based on professional and scientific achievements, the requirements of a knowledge-based economy, new technical and industrial paradigms and their coherence with the new human resources management; the position of education and training as a priority sector of modern economy and society.*

Compared to its real potential, the Romanian economy faces appreciable gaps and lack of balance, that are clearly shown through the incompatibility between the educational offer and the existing need and human capital potential, curricular immobility in regard to the messages received from the societal environment, entropic diversity of the university specializations in regard to the European and international good practices, insufficient use of the own human and innovation potential, knowledge cleavages between the urban and rural areas and between different regions of the country, chronic sub-dimensioning of investments

made in the intellectual-intensive sectors, macro-economic imbalances that are difficult to manage and risky for the health of modern economic architecture. Persistence of this state of facts affects the dynamic and quality of future economic development, the harmony between the scientific structures, the effects of involving that may be supplied by the correlations between economy and scientific-technological intensity, the real integration of our country within the single European market and the economic and monetary union.

The guidelines for action are at the core of what was called the Bologna Process and refer to: *the adoption of a clear, rigorous, logical and feasible system of study programmes based on current and future requirements in the market of human capital and in line with the best European practices; the full implementation of a national credit transfer system effectively based on learning outcomes; the promotion of an international dimension of Romanian education and assuring the conditions for national and international student, teacher and graduate mobility; the promotion of cooperation at European level as regards the quality assurance in higher education; the promotion of the European dimension in Romanian higher education; increasing the attractiveness of the Romanian education offer to citizens from the European Economic Area; redefining the doctorate programmes in point of their substance and assuring the synergies between education and research.*

At present, our national higher education system is characterised by several weaknesses, such as:

- *The mission of the system and the strategic mission of universities specialized in economics and business is not clearly defined or is not entirely understood.* The principles on which should the higher education institutions should base their mission are not clearly structured and defined in a modern and integrated way. One often overlooks the fact that education is and will continue to be that area of the society where knowledge is *produced, disseminated and experienced*. The greatest challenge which the institutions providing knowledge have to manage is to study how knowledge is used in the processes of a functional market. There is no central almighty body that knows everything and is able to channel all individual interests towards the optimization of wellness; each actor of the society has to learn in a competitive environment how to use the knowledge provided by others to attain their own objectives. There is less doubt that, in the future, education, in general, and higher education, in particular, has to find the best correlation between the three standard mechanisms, namely: *communication of knowledge, simulation of processes* on which education packages are focused, and *experiencing knowledge* with regard to their practical and applicative usefulness. At this moment, the Romanian education system is at a point in which is mandatory to communicate the products of advanced knowledge, make the appropriate steps towards taking-in modern methodologies of simulation, but is significantly lagging behind as regards the material basis necessary to experimentation.

- *Deficiencies in the legal and institutional framework for higher education.* Many of the basic aspects of education and training are covered by several legal acts, with contradicting provisions, they are often changed and not congruent, they belong to different generations and there is a gap between our educational targets and the features of the European Higher Education Area. The drawbacks of regulations and the disregard of requirements relating to an authentic quality of education, have lead to the appearance of a large number of entities providing academic programmes of a doubtful quality. Aspects related to the universities' assets, the types of national and international partnerships and the conditions necessary for the provision of educational packages are not clearly regulated.

- *The existence of barriers to entrepreneurship supported by university managements.* The legislation regarding the private-public partnership is incomplete and restrictive, the financial management of universities is still facing many obstacles, the attraction of funds from other sources than the public ones is not encouraged, multiannual financing is not used although this would allow a strategic approach of university management, and the financing

mechanisms in universities do not encourage the improvement of the quality of academic programmes and their adaptation to the requirements of the labour market.

- *The unclear breakdown of responsibilities between governmental bodies and the autonomy of the management of higher education institutions.* The academic freedom is more postulated than practiced, it is not correctly understood by the management of some universities and it is not accompanied by related responsibility for actions undertaken by virtue of academic freedom. There are still confusions about the responsibilities at different levels of academic governance, we do not see a transformation of all organisational structures in the national education system in authentic high performance centres, and some members of the academic community are not concerned with the minimisation of costs and maximisation of performance. Some universities lack a culture of quality academic programmes, research programmes, evaluation of performance and continuous concern for modernization.

- *Insufficient level of openness to national and international competition.* Basic and complementary financing is not allotted based on competition and on criteria related to the quality of education and training and scientific performance, and we have not a sound ranking of universities based on complex criteria focused on education and scientific performance, the participation of teachers in the international competition for educational programmes and research projects is modest, and there is a lack of mechanisms to stimulate students and teachers in the national competition for quality and professional and scientific excellence.

- *Insufficient interest in quality assurance and the external evaluation of programmes.* We had a relatively late start in quality assurance, and progress made in internal and external evaluation of education programmes is still reduced. There is no current practice with regard to the establishment in each university of criteria and professional and scientific standards. The number of universities which have developed a genuine culture of quality is yet reduced. The existing programmes do not rely on educational marketing studies, are not based on sustainable trends with regard to the sectoral development of the Romanian economy and society, and the curricular design still contain a series of subjective components to the detriment of rigour and predictability. The periodical evaluation of outcomes and teaching and research performance is not a current practice which affects the spirit of competition, discourages individual performance and does not stimulates the development and application of an authentic human resources strategy at the level of universities, faculties and faculty departments.

- *Malfunctions with regard to the motivational packages for the members of the academic community.* Both the legal framework and the universities' own regulations do not sufficiently stimulate differentiated payment based on individual professional and scientific performance. There are several malfunctions with regard to the teaching and research workloads which affect the resources and their distribution and cause continuous discontent in the academic community. The current mechanisms for motivation neither attract new entrants in the higher education system, nor do they succeed to maintain the existing staff. This situation has medium and long-term negative effects and discourages the predictability and the strategic dimension of training programmes. The salary-related drawbacks and malfunctions regarding the quality of academic management hinder the implementation of continuous training programmes.

- *Lack of a rigorous definition for the rights, obligations and responsibilities of members of the academic community.* One can see that responsibilities are relatively diffuse, not all the members of the academic community are involved in the endeavour for increasing the quality of academic activities, and the persistence of a climate of uncertainty and lack of confidence in actions taken by the decision-makers at the national and university levels. The main challenges, the universities are confronted with, seldom are discussed or solved by the management structures of departments, faculties or universities in partnership with members of academic community, often conflicts are maintained, mediation and conciliation are hardly

used, the principles of academic ethics and deontology are sometimes disregarded. Measures taken in different academic areas and the management of physical, financial and human resources often lack transparency, which increases the discontent of some members of the academic community.

- *The curricular design does not rely on the organisation of academic programmes in line with the national and European qualifications framework.* The number of academic specialisation is unsustainably large, their names and contents are not based on an in-depth analysis of the trends in the European and Romanian economy and society, and there are no authentic premises for the transfer of credits and for intra-university and inter-university student mobility. We are lagging behind with the adoption of the national qualification framework and, even, there are some steps ahead is still unsatisfactory with regard to their definition in terms of competences, skills and knowledge. The contents of the curricula do not always take into account the qualifications for which they should prepare the students, the training methods are obsolete and we cannot see a national good practice portfolio. The study credits are not clearly defined in terms of requirements and learning efforts, and there is not a unitary credit transfer system. There are still differences between the academic documents (the syllabuses and the curricula) and the categories of subjects.

- *Some pitfalls in academic governance.* Offering a modern package of educational programs in economics and business needs modern governance structures, able to cultivate the values of academic freedom and to manage academic freedom based on responsibility and entrepreneurship. Unfortunately, some universities do not have a statute for their governing structures, there is not a clear delimitation between decision-making and management and there is an overlapping of ministry's and university's responsibilities in the decision-making process. There is still uncertainty with regard to the definition and the statute of university assets, the regulations on university funds and their financial management are not clear enough, and the universities are not encouraged to maximise their own resources.

We can notice the fact that in our universities prevail conventional education defined by: “linear/sequential courses (*one size fits all*); minimal interaction (*subtle learning, opportunities missed*); removed from practice; inflexible timetables; knowledge transmission; structured courses, teacher driven and for individuals”. http://www.gu.edu.au/text/ins/training/computing/web/blueprint/content_blueprint.html#curriculum.

<http://www.ukoln.ac.uk/services/papers/bl/blri078/content/repor~22.htm>). This means that: „*learning is a product, a destination; learning relies primarily on theoretical and abstract book knowledge; often learning needs are bureaucratically determined; information is viewed as objective, bricks of information with constant meaning; decisions are top-down; users of information are passive recipients of information; the same level of service is provided to all; libraries are designed as storerooms for books*” (Peters, Humes, 2003).

In this context, there is an increasingly obvious connection between education, training, innovation and stimulation of economic development, on one hand, and the value and the level of economic growth on the other hand. It has been demonstrated that those societies that made appropriate and sustainable investments in education, had also modern economic reforms, registered high levels of economic growth and re-defined the bases for competitiveness.

From a methodological point of view, we know that the new economy needs more knowledge than the traditionally recognised capital and human resources. This sector also produces information and knowledge and serves as basis for other sectors of the economy and society, and also as a means for organisation and learning. Briefly, such a situation can be perceived as presented by Joseph Schumpeter, namely “creative de-structuring” or “long-term industrial cycles”.

The Romanian education system should fully understand the new requirements without which there will be no compatibility with the modern educational systems; it must stay away from following modernist trends only for mimetic reasons and it should cultivate its strategic dimension namely larger horizons and authentic system-level considerations.

Our educational programs in economics and business must become knowledge-intensive. Education is a precondition of future economic development. The answers to these challenges need to be compatible with the best practices at the European and international level. All the societal actors' involved direct or indirect in the new educational landscape need to take into consideration the particular mark of the educational environment in a transition country. Is mandatory for all of us to internalize the specific values of the Bologna process. If this process is considered from a descriptive point of view it seems to take the form of a catching up process, while the automatic transfer of this model in educational policies and university governance might generate distortions and imbalances under the form of *vicious circles*. From an alternative perspective, we need models which allow the formation of *virtuous circles* which are meant to support the enhancement of the quality of the higher education programs in economics and business. Our higher education offer designed to be sustainable in a knowledge-based economy need to have a high level of efficiency. One of the most known analysts of organizational architecture, Peter Drucker, said about the new issue of productivity "*the productivity of knowledge-intensive activities will be the economic challenge of a knowledge-based society. This will determine the competitive position of every country, and every sector, and every institution of the society. The productivity of less knowledge-intensive services will be the social challenge of knowledge-based society*".

The main challenge the Romanian education system has to manage appropriately it's that related to its compatibility with fundamental values of the European education and training systems. For this purpose, efforts are needed at all levels, involving all stakeholders and assuming the best practices in the field of education and training. The graduates' profile should be defined in terms of competences, knowledge and capabilities. These should be the bases for the development of curricula and training methods, giving prevalence to the quality of outputs.

It is well-known that education is an important factor of economic growth. Human capital theory and its empirical testing have proven that investment in education, research and development, and health has far larger rates of return than other productivity factors. The issue is whether the traditional school considered by human capital theories which result in standard knowledge and skills valid for a long term would not be seriously challenged by the fast transformations specific o the new economy. There is no doubt that, "*education would be the centre of knowledge-based society, and the school a referential institution*", but we should ask ourselves what education we provide so to make it essential for the modernization of Romanian society. Although, it is not easy to foresee what kind of education and training will be necessary for various periods of time, we have to conceive and put at work, those necessary institutional mechanisms, aimed at continuously function, to collect the challenges and offer the right solutions for various situations defined by sustainability.

In a new European and international dynamic, and even turbulent business environment, it is necessary to join all the efforts at society level, to cultivate the strategic dimension, to elaborate and implement coherent and modern educational policies, to allocate the adequate resources and to make as transparent as possible all the actions taken.

Bearing in mind the fact that the Romanian higher education in economics and business has its own panel of competitive advantages is necessary to take some urgent measures and answer the following questions: „*How can we assure that in our modern, highly complex and demanding service economy, the right knowledge and understanding is within the reach of the employees? How do we guarantee that they will be able to perform the tasks that they are assigned up to the highest standards? How do we keep organizations in shape through the adequate accumulation of efficient human capital and its constant adaptation to changing circumstances? How do we resolve the dilemma caused by the need to obtain knowledge and the capacity to perform (learn), on one hand, and the obligation to apply what has been learned (work) on the other?*” (Giarini, Malitza, 2003, p 16).

To answer these questions there is mandatory to take urgent measures such as:

- *Shaping a set of principles that define the mission of the Romanian higher education institutions, adequately defined, consistently implemented and equipped with all the necessary institutional mechanisms to make it operational. Among these principles we can notice: training the students for those qualifications compatible with the labor market requirements; active participation of all the university community members to the university governance; promoting of the moral and ethic values in a democratic society; ensuring the necessary organizational, financial and logistical conditions for ensuring the national and international mobility of the students and teaching and research staff; ensuring and respecting the conditions and criteria of equal study opportunities; managing the universities according to the efficiency principles; creating the premises for knowledge production; ensuring the adequate conditions for lifelong learning; respecting the intellectual and industrial property rights; transparency of decisions.* These principles have to be rigorously defined, modernly applied and circumscribed to a culture of authentic leadership. The educational methods have to be compatible with the requirements of the human resources market, and ensuring the compatibility with the best European and international practices. Their effects have to be measurable and to be translated into concrete effects at society level. The learning process has to be an authentic public good, ensuring the balance between its specific content and the various categories of externalities.

- *Establish flexible and modern structures for the national higher education system.* The universities have to become professional and scientific centers of excellence, they have to have those dimensions which to allow them to accomplish their mission, to be equipped with those modern and flexible organizational structures, in which to prevail quality and functionality, so that to be able to meet the ever changing regional and sectoral challenges. The academic leadership has to accept and apply the modern managerial methods, to pay attention to the new determinants of competitiveness, specific to the university mission, to pro-actively involve all the members of the university community in the decision-making process and to probe entrepreneurial spirit. This process involves that: the trainers to be knowledge creators, as well as knowledge disseminators; learning has to be realized by doing, transposing into real conditions those processes and methods which are talked about during the courses and seminars; the modern didactics has to focus on assessing the students' progresses of acquiring the knowledge and the cognitive abilities; all the trainers have to aim at the same educational targets and to transmit a standard level of competences, knowledge and abilities; the trainers have to take part in research programs and in periodical training programs, in order to be ensured the assimilation of the new trends in the reference field; the best educational practices have to be collected and applied in a wide manner. An expert in the knowledge-based economy noted that: *"the change is so quick that the companies cannot rely anymore on the young graduates exclusively or on the new entrants on the labor force as a primary source of new knowledge. The schools and other educational providers have to train the graduates for a lifelong learning. The educational systems cannot focus anymore only on the specific skills which allow the graduates to solve specific issues, but they have to focus their learning, to self-improvement and learning from the others"*. (Ohmae, 2001). It is necessary that policy-makers to draft new educational strategies, to ensure an adequate level of financing for education and scientific research, to modernize the institutional and legislative framework aimed at stimulating the partnership between universities and the economic and social environment, to encourage the entrepreneurial spirit at the level of universities' leadership, to aim at ensuring an authentic quality of the educational programs and to encourage the implementation of the deontological and ethic norms at the level of the national education and training system.

- *Focusing the efforts on the key-elements of quality culture, at all levels.* A modern educational system means adequate knowledge and competences, enhanced professional

mobility, improving the capacity of adaptation to the new technologies and to the social changes, in other words, a new model of education. Reflecting upon the issues which the educational system in our country faces, we can state that: *in order to have the desired level of achievement, required by the international competitiveness, we cannot afford focusing only on one factor of this success; a qualitative educational system generates benefits for all the society actors (educational establishments, beneficiaries of the study programs, companies, public institutions, civil society); any level of education cannot be modernized separately from the other levels, but only in a aggregated and functional architecture; it is necessary to draft a national strategy in the field of education, supported by governmental policies, specific to each educational cycle and to each type of training process.* As the process of globalization goes on, a reactive attitude, on behalf of the decision-making organizations and institutions, in the field of education is not sufficient anymore. In order to offer a strategic response to the new technologies and the society changes, it has to be conceived and implemented an integrative strategy of education and training, to which to take parts all the stakeholders. This new approach has to be focused on new knowledge and abilities, new features of the learning process, a new system of governance of the system and new schemes of modern financing. The central idea of the new educational architecture refers to a new type of public-private partnership, in which the public authorities have the role of regulating and coordinating, and the economic and social actors of implementing most of the activities. A new educational strategy is the one approved by all the interest groups and considered as their own strategy. The accent has to be placed on a clear definition of the priorities, of each of the participants' function, of the targets and of the assessing methods. The changes of the level of the education system take place in a broad horizon of time and are correlated to the economic changes. The process depends on the adopted strategies, on its level of decentralization, the level of involvement of each actor, the permanent dialogue between parties, the complementary financing from various sources and the role played by the functional market. We have to remind the values proposed since 1994 in "The White Paper Growth" and in the Jacques Delors report in 1996 "Learning the Treasure Within", where there were suggested the four main pillars of learning: *to learn to know, to learn to do, to learn to be and to learn to live together.* The European documents have shaped a comprehensive vision on the policy of continuous education, which involves substantial reforms of education and training, with the aim of facing the globalization's challenges and the evolutions taking place at the level of knowledge-based society, to obtain the social inclusion and the active citizenship. The six integrative strategic architecture are: *the partnership for learning; introspective approach in educational demand; offering adequate resources; facilitation of access to education for all; creating a culture of learning; insisting upon excellence in education.* Among the strategic priorities that are the basis of the new educational architecture are: *the accent placed on the added value generated by education; investing time and money in education; information, orientation and counseling; investing time and money in education; including the trainers and opportunities of learning into an integrative structure; ensuring the basic knowledge and abilities; innovative didactics.*

• *Cultivating modern principles for orienting the design of curriculum and higher education studies.* The curriculum projection has to be realized through organizing and structuring the study programs taking into consideration the national qualifications framework. It is highly necessary that the higher education study programs to represent certain architectures consisting in teaching, learning, research, practical applications and evaluations curriculum units, organized so that to lead to the award of a higher education qualification. Among the principles that have to be at the basis of this process, we may remind: *principle of the relevance of the respective qualification on the labor market; principle of the functionality and professional adequacy; principle of the transferability; principle of coherence; ; principle of accessibility and continuation; principle of educational*

and professional equal opportunities; principle of flexibility and personal development. In their own regulations, the universities have to state: *curriculum projection based on the credit system; rules for allocating the study credits; their own rules for managing the study process based on credits; curricula of the study programs.* These necessary steps will offer clarity and predictability to the universities and to the entire Romanian higher education system.

- *Redefining the bases of financing the higher education.* It is often talked about the under-financing of the higher education, but there are not so many actions in order to diversify the sources of financing, maximizing the use of the budgetary allocations, awarding on competitive bases the funds for research and the European funds aimed at developing the human resources. We have to draft integrated financing schemes, compatible with the most modern European practices, to allocate funds using criteria related to the universities' professional and scientific, to increase the funds for different types of study programs, to center the funds allocation process on the quality of the study programs. At the university level, there could be instituted the following categories of funds: *for study grants; for guaranteeing the students' loans for financing the study programs; for promoting the research, development and innovation; for promoting the equal opportunities; for stimulating the students' professional performances; for social assistance for students; for financing the capital spending; for supporting the national and international mobility of the students and staff.* By an adequate dimensioning of these funds and using a financing according to competitiveness criteria, there are created the conditions for stimulating the institutional and individual performances.

- *Promoting the values of the Romanian educational system to the European and international level.* The Romanian universities have to be concerned with their correct positioning in the international rankings, with instituting inter-university partnerships at European and international level, with offering integrated bachelor, master and doctoral programs, with participating to international research programs and attracting foreign students by improving the educational offer. In order to achieve these aims, there have to be adopted and implemented strategies for: *developing a national qualifications framework; developing the national system of quality assurance for education and training; developing new professions at the national system of education level; developing and modernizing the system of providing vocational training; increasing the access to high quality professional training; developing the offer of continuous education; promoting the partnership In the field of education and training.*

A wide range of cultural or technological factors have generated in the last years deep changes in economy and in society, which have to be correctly understood and managed in a proactive manner. We can say that the new stage of development is based on knowledge. In consequence, all countries have to reform their education and training systems in order to not see affected the economic growth. The new model of education and training, specific to the knowledge based society have to conceive lifelong learning as a mean to offer to learners competences, abilities and skills, a new behavior and a new organizational culture. All parts of the society have to the learning process in the context of the new society. This is not an option but a mandatory condition for surviving and be competitive.

There is a broad consensus in the academic and political area regarding the structural reform of the education and training system, but there is a lack of clarity on the type and the profoundness of the reform. The ideas that are likely to meet general consensus are: *“increased societal rate of change; the ability to adapt has become an insufficient outcome in the case of education today; continuous curricula as possible roads into maps of knowledge; introducing global problems requiring highly interdisciplinary approaches in growing proportions; de-emphasizing disciplines in favor of problem solving; distinction between identity and role; mobility of the individuals oblige education to prepare people for a new kind of life, with more roles to play; free initiative and networking”* (Giarini, Malitza, 2003).

In Romanian higher education in economics and business we need to pass from conventional education to an emerging view of learning defined by: “*emphasis on learning how to learn, how to ask questions, to be open and to evaluate new concepts; learners must take decisions about their learning and need to be encouraged to be autonomous and independent learners; theoretical and abstract knowledge need to be complemented by experiment and experience; establishing an environment that encourages confidence, self reliance and responsibility; teacher need to become a facilitator of learning; learning is a shared environment where candour is permitted, students and teachers see each other as people, not roles; information user is actively involved in information transfer and does something with the information to satisfy needs; people need to have access to information appropriate to their abilities, interests and needs; libraries are part of a vast information infrastructure to meet users' information needs; feedback is essential*” (Peters, Humes, 2003).

At the European and international level there are a series of good practices which can be analyzed and used as basis for the reform's approach. We have to let go the idea of being originals with any price. We do not discuss here the recognized values of the Romanian education recognized internationally, but it is the right moment to reflect objectively at the international good practices and to subscribe our reform to the coordinates of the changes required by the knowledge based society. In conclusion:

- In order to have the desired level of achievement, required by the international competitiveness, we cannot afford focusing only on one factor of this success;
- A qualitative educational system generates benefits for all the society actors (educational establishments, beneficiaries of the study programs, companies, public institutions, civil society);
- Any level of education cannot be modernized separately from the other levels, but only in a aggregated and functional architecture;
- It is necessary to draft an appropriate strategy in the field of education in economics and business, supported by macroeconomic and sectoral policies, specific to each educational cycle (bachelor, master and doctoral programs) and to each type of training process.

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PROMOTING A QUALITY CULTURE AT GRASSROOTS LEVEL IN HIGHER EDUCATION

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Abstract. *This article addresses questions such as: how can we improve quality and promote consistency of approach at various levels in a Higher Education (HE) environment? What systems, processes and instruments are available in order to involve teachers and students alike in promoting a quality culture in HE for business and economics? To illustrate some of these aspects related to distributed leadership and empowering professionals in team endeavours, reference will be made to the QualiTraining Guide and projects, developed within the framework of The European Centre for Modern Languages (ECML)/the Council of Europe – www.ecml.at.*

Readers will be invited to experience the integrative approach to quality culture adopted throughout the guide and to reflect on how principles of “transformational leadership” and quality management can be applied to concrete language teaching and learning contexts. Further questions for reflection include: How can we induce a culture of sharing, piloting and experimenting? How can we evaluate the impact of such a cascading process?

JEL Classification: I21, I23.

Key-words: quality assurance; quality management in education; professional development; leadership styles; quality culture; evaluation; self-assessment; institutional self-evaluation.

Background to the ECML projects on quality assurance

One of the key targets of the Bologna reform to be achieved by 2010 is the implementation of “credible systems of quality assurance in accordance with the best practices at European level”, as highlighted in the latest strategy and policy study carried out within the framework of the European Institute of Romania. (Vasile et al., 2008, p. 239)

Besides top level decision making and quality assurance documents to be produced, of growing importance are also *processes* to be introduced in order to ensure the ‘credibility’ and ‘workability’ of institutional systems. This paper aims to highlight the added value of interdisciplinary approaches to quality assurance and to show how procedures and instruments developed in a domain such as language education can be relevant to HE in general, in order to involve the *grassroots level* – both teaching professionals and students – in quality assurance processes.

What enhances system credibility is a coherent *Quality continuum* approach to education, which encompasses multiple layers and components, such as (a) the individual level of self-assessment – to be understood also as self-assessment undertaken by all the individuals in an institutional environment, according to the same criteria, (b) the organizational level of institutional self-evaluation, in preparation for (c) the external evaluation (at national and/or international level) to be carried out by an accredited body.

Capitalising on the outcomes of Council of Europe projects on quality management and training for quality assurance, this paper will illustrate how a holistic approach to quality in education can work in practice, while encouraging a culture of sharing and of empowering individuals – teachers and students alike – to contribute in innovative ways to

quality development. This will be achieved through examples of linking generic aspects with reflective activities designed for the analysis of concrete educational contexts, on the one hand, and with case studies illustrating successful management of change and “transformational leadership” in action, on the other.

The first two European projects referred to here – both of them initiated and unfolded within the framework of the European Centre for Modern Languages (ECML) of the Council of Europe – are:

- “Quality Assurance and Self-assessment for Schools and Teachers” (2000 – 2003), launched in September 2000 through an ECML regional workshop organised at the Bucharest University of Economics and PROSPER-ASE Language Centre; finalised with a CD ROM in English and French on *Quality Management in Language Education* (Muresan, Heyworth, Matheidesz & Rose, 2003); *European Label Award 2002 for innovation in language education* received from the EU Commission for Education and Culture;
- “QualiTraining – A Training Guide for Quality Assurance in Language Education” (2004 – 2007), finalised with the *QualiTraining Guide* – book and CD ROM – in English and German (Muresan, Heyworth, Mateva & Rose, 2007).

Both projects were co-ordinated by multinational teams and involved co-operation among experts from over 30 countries throughout Europe and beyond. Participants in these projects included professionals from the Bucharest University of Economics, the Ministry of Education and Research, the Romanian Association for Quality Language Services QUEST Romania, the Goethe Institut Bukarest, L’Institut Français de Bucarest, PROSPER-ASE Language Centre, as well as teachers’ associations, inspectorates, universities and teacher training colleges from all over the country.

The two projects and their outcomes (the books and CD ROMs) include presentations of underlying principles and concepts of quality management in language education, standards and procedures developed at European level – on the example of EAQUALS, as well as numerous case studies from a whole range of countries and organizational frameworks, from all strands of education. The *QualiTraining Guide* consists of four main sections (as shown in the diagram below), followed by 6 case studies for exemplification.



To illustrate the methodological approach taken in the *Guide*, a selection of aspects and activities will be presented and discussed.

Networking with experts in international, regional and local environments within the framework of these projects, as well as feedback gathered at various events on quality assurance in education revealed continuous efforts in national and regional contexts for improvement and standardisation of approaches to quality assurance in education, alongside a growing interest for consolidating local expertise in this field. At the same time, small scale surveys, carried out internationally with the help of the ECML

QualiTraining-network, have shown that the whole area of quality assurance in education still needs more awareness-raising among teaching professionals and education institutions, as well as among decision makers.

“Qualitraining at grassroots level”

In response to these concerns, interests and needs, a new project was initiated - “QualiTraining at Grassroots Level” (2008-2009)⁽¹⁾ – within the framework of the 3rd medium-term programme of the ECML “Empowering Language Professionals: Competences – Networks – Impact - Quality”.

"QualiTraining at Grassroots Level" is intended as a follow-up to the previous ECML projects on quality assurance. The *main goal* of the new project is to take *QualiTraining* processes and products further to various national and regional contexts, while adapting workshop materials and supplementing them with further case studies, for customised implementation in a wider range of educational environments.

This will be achieved through:

- the consolidation and extension of the ECML *QualiTraining* network,
- the identification of active members willing to contribute to national events,
- the development of procedures and tools for monitoring and evaluating the implementation of the *QualiTraining Guide* and related processes in specific educational contexts,
- professional development events for trainers and multipliers, to set off a cascading process.

By developing the web-based component and targeted networking, the project will also offer the framework for sharing best practice at various levels.

This project will help trainers to better understand the inter-relatedness between generic *QualiTraining* concepts and Council of Europe education instruments (e.g. the *Common European Framework of Reference for Languages*, the *European Language Portfolio*) and educational practice, and to link these to their work in real educational environments.

The target audience for project activities includes teaching professionals working as multipliers, practitioners in leading positions in national/regional associations and networks, teacher educators, inspectors and inspector trainers, multipliers conducting educational management seminars, as well as professionals with an interest in quality assurance. Sectors of education addressed include: colleges, universities, teacher education, adult education, continuing education, associations of language educators, quality assurance bodies (such as national associations of language schools), cultural institutes involved in the provision of language courses, having or introducing quality assurance systems, and their networks, etc.

To ensure the project's sustainability, the co-ordinating team will seek to publish action research outcomes in journals, to contribute to a quality assurance culture in education, while consolidating a network of networks. A final report on challenges and opportunities associated with the implementation of *QualiTraining*, will inform further dissemination strategies as well as transferability endeavours of the *QualiTraining Guide* and related processes to new educational domains and contexts.

A flexible, inclusive methodological approach

Outcomes of surveys carried out within the abovementioned ECML projects have indicated the differing educational cultures, ranging from those that wish for more input and less practical self-investigation to those who will need to use the materials within a self-evaluative framework. (Rose, Mureşan, 2006)

The methodological approach, therefore, needs to acknowledge these challenges and to allow for a flexible integration of generic aspects with reflective activities and illustrative case studies, depending on the development needs of various training environments and the professional interests of the *human factors* involved in the process.

In what follows, we shall try to illustrate both possible lines of action and the added value these can bring to the process of awareness-raising and active involvement of practitioners and students in quality assurance endeavours.

Multiple functions of (pre-training) reflective tasks

Pre-training reflective questions may serve multiple purposes, e.g. helping practitioners relate the theme of the training event to their professional environment, facilitating their sharing of views regarding various quality issues, and last but not least, empowering them to have a voice in this process, so as to start thinking of possible solutions. Reflective/group activities based on such an exploratory question, carried out also as a small-scale survey regarding *facilitating* and *inhibiting factors for quality initiatives* in language education (within the framework of several training events, involving altogether over 100 participants) revealed that despite some country specific differences, most of the practitioners' concerns are similar, almost irrespective of the national/local context, and the solutions they suggest are also heading in the same direction, as shown in the synthetic table below:

Positive Factors	Negative Factors	Possible Ways forward
<ul style="list-style-type: none"> • Public demand for foreign languages, as a key to success in life; • Student entitlement to language learning; • European mobility programmes; • High focus on quality assurance in education – at least at the level of public declarations; • <i>CEFR</i> and the <i>ELP</i> – as pan-European reference documents and the commitment to implement them in national educational contexts; • EU-accession related developments in countries in Eastern Europe • ...etc.... 	<ul style="list-style-type: none"> • Predominance of English over other foreign languages; • Not enough motivation for plurilingualism; • Lack of clarity in government policies in some countries; • Limited funds related to quality, innovation, technology; • Conflicting goals at various levels; • Limited human resources with relevant qualifications and expertise in the field; • Lack of clear systems for feedback gathering; • Uneven distribution of resources; • Competition between private and public sectors • ... etc.... 	<ul style="list-style-type: none"> • Co-operation among different organisations; • Further development of public-private partnerships; • A more systematic focus on innovative approaches in Teacher Training/ Teacher Development; • More consistency of approach in Curriculum design and implementation; • Clearer correlation between theory & practice, between the decision-taking level and the operational/implementation level.

Building in space for such comparisons can have a reassuring role, and their methodological dimension can trigger positive problem-solving attitudes, especially if we regard the university as a “learning-oriented” academic environment, a “rational-biologic model”, with dynamic human resources, having the resourcefulness to bring about positive change (Rosca, Moldoveanu, 2008).

Further self-assessment and reflective activities, alternating with input-based group discussions for internalizing underlying concepts and principles, can facilitate the participants' understanding that there is a role to play for everyone in the educational process, if consistency and coherence of approach are to be achieved.

What is *quality* to you?

Unit 1 of the *QualiTraining Guide* (Heyworth, 2007, pp. 7-21), for instance, presents some of the principles behind quality management and explains basic concepts related to five “models” of quality: (a) the “client satisfaction model”, (b) the “process model of quality”, (c) “quality based on results”, (d) “quality based on development”, and last but not least, (e) “value driven quality”. Participants in the training are invited to explore how these models can be applied to language teaching and to relate them to their own educational environment and personal experience.

For exemplification purposes, we shall look at the model focusing on *quality based on development*, according to which “quality is based on the motivation, the attitudes and skills of the people involved. In order for it to help maintain and improve quality, the institution needs to establish an environment which enables staff to develop and co-operate. This can be through staff development programmes, action research, peer observation, encouragement of innovation, quality circles. It implies an open style of leadership, with room for individual responsibility and initiative.” (Heyworth, 2007, p. 14) The reflective activity attached to this input invites readers / participants in the training to reflect on their own professional experience and to “describe good practice in creating a working environment which promotes quality”.

This model of quality comes to highlight the inter-relatedness existing between professional development and quality assurance (as reflected also in quality assurance schemes, e.g. EAQUALS, 1999/2006) and, at the same time, brings to the fore-front the motivational aspects associated with the teachers’ continuous interest in their self-development, as revealed both by surveys carried out in the Romanian educational system (e.g. Muresan, 2004) and by the seriousness and enthusiasm demonstrated by the participants in the interdisciplinary Master programme “English Language Education and Research Communication for Business and Economics” at the Bucharest University of Economics.⁽²⁾

From the perspective of the *client satisfaction principle*, it is interesting to compare the views of different stakeholders on how they perceive the *quality* of a lesson. In what follows, we shall synthesise the outcomes of a reflective group activity, focusing on the question “What is a good lesson to you?”, carried out in a workshop format, where the audience consisted of both students at the Bucharest University of Economics and academics from different universities from Romania and abroad⁽³⁾:

Students’ responses	Teachers’ responses
<ul style="list-style-type: none"> • Teacher to provide theory before the course, during the course to discuss the main points • Interactivity between teacher and students, to increase the students’ motivation • Teacher to capture the students’ attention, e.g. through “games” • Teacher to take theory out of the class and use class time for discussions, examples, etc. 	<ul style="list-style-type: none"> • Students to take initiative for self-learning • (<i>reflecting on classes they had enjoyed as students</i>) The class should be like a good movie, to include theatrical elements, something to remember • When students ask a lot of questions, when there are plenty of discussions • (<i>additional comment</i>) Experienced teachers know “when students are with them”

Comparing the students’ responses with the teachers’ responses, we can notice that each group of “actors” in the educational process has expectations from the other group – students’ understanding of *a quality lesson* places responsibility on the teachers’ shoulders, whereas teachers expect students to take the initiative. While the outcome of this activity is not surprising, as it comes to re-confirm the relativity of the meaning of

good, depending on who answers the question and what is at stake, what this experiment shows is that it is worthwhile initiating such a discussion and having such an exchange of views, both at the beginning of a course and during its progress. The value of this endeavour has been exemplified through surveys carried out by academics of different subject fields – e.g. enquiring into the perception of academics regarding the quality and performance of academic research (Zaharia, 2008), exploring the views of students regarding the *quality of methodological approaches* (Ion, 2008) and their perception of the *quality of teacher-student communication* (Gyorgyi, 2008), exploring the *inter-relatedness between individual learning and organizational learning* (Balu, 2008; Serban-Oprescu, 2008) – and turned to the benefit of the educational process at the Bucharest University of Economics.

The central role of people in a quality culture

At the core of the holistic approach to *QualiTraining* is the key role played by people in a *quality culture*, which is defined as “a learning culture in which all members of the institution are involved; a self-critical, improving culture in which all staff are fully engaged. A culture which allows each individual to understand his/her contribution to achieving the shared vision and to answering the question ‘what difference am I trying to make personally?’ ” (Rose, 2007, p. 25). Unit 2 of the *QualiTraining Guide* highlights the close link between a *quality culture* and *effective leadership*, characterized through multiple dimensions, including e.g. *collaborative leadership* (based on democratic principles and encouraging the participation of all stakeholders), *distributed leadership* (based on an understanding of leadership as a function rather than a role; engaging a range of people in leadership activity and extending its boundaries beyond delegation).

This approach is in line with those favouring “transformational leadership” in education, considering that principals or educational managers practising it do not rely only on their charisma, but attempt “to empower staff and share leadership functions (Bush, Coleman, 2000, p. 22). Similarly, “symbiotic leadership” is characterized through collegiate participation in organizational processes, coherent delegating of responsibilities, team spirit, based on mutual trust (Nicolescu, Verboncu, 2007, quoting Mark Edwards, 1992). According to this approach, innovation employees are prepared to achieve higher performance “when their managers practise a symbiotic leadership style” (Amar, 2001) – and by extension, we can consider that a HE environment with a strong focus on research and development offers ideal conditions for this type of *symbiosis*, so as to stimulate innovation.

Readers of/participants in *QualiTraining* are invited to reflect on their own educational context and then to discuss in small groups about the ways in which leaders in their organization build the organisation’s capacity; for example, does the structure of the institution support the functioning of teams? Is team review a feature of working processes? (Rose, 2007, p. 28-29) The activities and questions suggested can be easily used e.g. in a team or at departmental level, irrespective of the professional domain or subject field, for an evaluation exercise of the quality culture in a particular educational environment, or to generate a discussion of aspects to be improved or changed.

The extremely beneficial effects of these leadership styles on organizational change and improvement are illustrated by real-life case studies contributed by experts/leaders, practising this type of leadership, empowering professionals to take responsibility and to participate in leadership processes, conducive to exemplary quality cultures in their institutions (Boiron, 2007, Turrell, 2007, Hughes, 2007).

How can we know how well we are doing?

The next unit of the *QualiTraining Guide* focuses on procedures and instruments for internal quality management, exploring their multiple functions, according to the purpose of use and the various stages in a quality cycle (Muresan, 2007, pp. 37-54). Special attention is paid to institutional self-evaluation and class observation, as powerful instruments and

processes in any educational environment. Their implementation in HE for business and economics through the interdisciplinary MA programme for teaching professionals and researchers at the Bucharest University of Economics has encouraged academics of various subjects to re-think the teaching-learning methodology, to pilot new, more participative approaches to economic education and business communication, leading to new developments, such as new textbooks (Ion, 2007), enquiries into student preferences regarding teaching-learning methodology, thus involving them in institutional self-evaluation and decision-making processes (Catargiu, 2008, David, 2008, Gyorgyi, 2008, Ion, 2008).

The Professional Development Programme at the Department for Business English and German of the Bucharest University of Economics has led to a large-scale implementation of self-assessment based on the *CEFR "Can-Do"*-approach and the *European Language Portfolio*, as reflected by e.g. business English textbooks produced by members of the Department, including chapters on self-assessment based on European instruments (with a special focus on *EUROPASS* and the *ELP*), outcomes of the surveys carried out among students and teachers at the Bucharest University of Economics (Marinescu, 2007, Dellevoet, Muresan, 2008).

More importantly, the re-thinking of assessment and evaluation as a lead-in to participative quality management (Mateva, 2007, pp. 55-66), also reflects changes in attitudes to teaching and learning, an educational process in which the development of key competences (such as communication, entrepreneurship, intercultural competences) take pride of place.

The case study of the Österreich Institut is present both on the CD ROM on *Quality Management in Language Education* and in the *QualiTraining Guide* (Ortner, 2007), as an illustration of effective implementation of self-assessment and evaluation instruments for the coherent and consistent involvement of all the stakeholders at all institutional levels in internal quality management. The case study exemplifying new developments in the British educational system reflect the shift from comprehensive external quality control to quality assurance incorporating a strong self-evaluation dimension (Dahl, 2007), while Dimitrova and Tashevskia illustrate the implementation of Portfolio based self-assessment for teacher trainees and junior teachers at the New Bulgarian University (Dimitrova, Tashevskia, 2007).

By way of conclusion

In this paper we have tried to highlight some of the benefits of introducing an integrative approach to quality assurance, for the involvement of both practitioners and students in internal quality management processes, at the same time suggesting that leadership skills can be developed by experiencing distributed leadership and by being empowered to participate in decision-making in various educational processes. Possible methodological procedures, activities and instruments were exemplified by making reference both to ECML projects on quality management and training for quality assurance (with a special focus on the *QualiTraining* projects) and to developments at the Bucharest University of Economics.

The management of the Bucharest University of Economics have to be commended for linking quality assurance measures and endeavours with consistent support given to the professional development of teaching professionals, to the benefit of students, teachers, and the institution as a whole. At the same time, all academics at the Bucharest University of Economics involved in professional development programmes deserve special praise for their on-going preoccupation for professional improvement and their genuine interest in facilitating their students' developing relevant competences for their future career.

Notes

- ⁽¹⁾ Muresan, L. (co-ordinator), Mateva, G., Matheidesz, M., Rose, M. – details can be accessed at www.ecml.at or <http://qualitraining2.ecml.at/>
- ⁽²⁾ http://www.rei.ase.ro/site/documente/doc/MA_Engl_pt_predare_cercetare_Leaflet_2007_New.doc
- ⁽³⁾ Workshop on “Promoting a Quality Culture at Grassroots Level in Higher Education”, at the International conference: *Leadership, Change and Communication in Emerging Markets*, Curtea de Arges, Romania, 15-16 May 2008.

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ACADEMIC RESEARCH AND RANKING OF HIGHER EDUCATION INSTITUTIONS: A VIEW FROM LITHUANIA AND ROMANIA



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Abstract. *In the present context, universities are considered to be research laboratories, with a tremendous impact on higher education system's competitiveness. This paper investigates the role of academic research and the relation ship between academic research and ranking of higher education institutions. A comparative analysis between Romania and Lithuania is provided in order to identify the major problems that the higher education institutions from these two countries are confronting on.*

JEL Classifications: I21, I23.

Key-words: higher education, academic research

Introduction

Research represents a systematic, exhaustive, and intensive investigation and study, usually through hypothesis and experiment, to discover new knowledge, facts, theories, and laws <http://www.unf.edu/library/guides/originalresearch.html>

It is paradoxical that in spite of the obvious importance of research in research oriented universities and research institutes around the world; it seems very difficult to 'scientifically' evaluate research. The problem is universal and several universities have developed their own approaches to this problem. Two extreme approaches are the process-oriented and the results-oriented approach. In the process-oriented approach, the focus is on the research process. The approach is based on the premise that a high quality research-process produces high quality research results. In the results-oriented approach, various quantitative indicators are used to measure research output/input. The number of publications, citations, invited talks at conferences, etc., is examples of such yardsticks. (Korhonen et al., 2001)

The social utility of the universities research activity is demonstrated by the fact that some industries develop around higher education institutions. For example, Silicon Valley was deliberately created by Stanford University, and Route 128, outside Boston, hosted companies connected with MIT or Harvard. The American model, of embodying academic environment with business environment allows academic research to put the findings into practice. This example was followed by other countries as UK or China.

New approaches are underlying the academic institutions' obligations to develop new practices or strengthen the existent ones in order to diminish research barriers. Europe is most interested to use academic research to fill the (development) gap between the continent and the United States. Europe places itself after its main competitor, the US for most of research related classifications: licenses, researchers, international classifications, Nobel prizes..

Nowadays, universities are viewed as national competitiveness' instruments (Levin, 2006). They have assumed, more than anytime, a core role in development, allowing every nation to integrate more effectively into the global economy. The growing importance of

universities in modeling and forming a production factor that is essential to survive the competition influenced the specialists in determining the criteria used for analyzing universities' performances and so offering a real and motivating hierarchy.

The importance of universities hierarchy draws from the interest of a large public. That is motivated by numerous aspects: students' perspectives and parents' expectations, the opinion about the academic system of students, professors and other universities employees', of government officials, of businesses, of political leaders, of anyone that acknowledges the fact that the society's progress depends on the academic competitiveness. Everywhere in the world the university system is a paradox, a mixture of archaism and modernity that bottles the intellectual liberalism into an organizational conservatism.

The universities hierarchy is also a historical matter, especially in the Anglo-Saxon countries. In the US, rankings have appeared for the first time in 1870. In 1911, the Education Bureau published a hierarchy of 244 universities. Since the '50s there have been elaborated methodologies that should have given the most objective instruments for evaluating the universities' qualities. This was motivated not only by the students' wish to make a proper choice when deciding to enroll in a higher education institution but also by the professors' desire to identify the best research environment.

In the USA, UK, Australia and New Zealand there are used directly methods for ranking, such as number an type of publications (specially articles in refereed journals), number of pages, number of citations, number of doctoral degree granted, the value of grants, etc. In general, the evaluation refers to universities. However, some studies underline the importance of departments evaluation and ranking, considering that this is more relevant then universities ranking. (Macri, Sinha, 2006).

The importance of academic research is obvious, as the research results are those elements that place universities on one or another place in international rankings. Those universities oriented mostly toward research activity are those which dominate the international ranking and considered by the stakeholders the most prestigious and esteemed higher education institutions.

Even universities rankings are not new, in the last decade they gained a lot of attention. The growing interest in international ranking is also a proof of the importance of academic research. In the European Union, for example, the Lisbon strategy correlated with the fact that there are only few universities which can compete with American universities determined the concentration of efforts in order to increase the prestige of European universities. The Bologna process, the initiative of creating an European Area for Higher Education and Research are also evidence of the fact that research activity promoted by the universities and advertise through international ranking are

Preoccupations regarding world rankings focused on methodologies mended to be available for a large spectrum of higher education institutions. At world level, the most used methods of ranking are those proposed by Shanghai Jao Tong University International Ranking, Times Higher Education Supplement International Ranking and Cybermetrics Lab, a research group belonging to the Consejo Superior de Investigaciones Científicas (CSIC).

In the method proposed by Shanghai Jao Tong University, the indicators take values between 0 and 100. The criteria used by the Chinese researchers to evaluate in order to rank universities are presented in the below table:

Table 1

Criteria used by Shanghai Jao Tong University

Criteria	Indicator	Code	Weight
Quality of Education	Alumni of an institution winning Nobel Prizes and Fields Medals	Alumni	10%
Quality of Faculty	Staff of an institution winning Nobel Prizes and Fields Medals	Award	20%
	Highly cited researchers in 21 broad subject categories	HiCi	20%
Research	Articles published in Nature and Science	N&S	20%

Output			
	Articles in Science Citation Index-expanded, Social Science Citation Index, and Arts & Humanities Citation Index	SCI	20%
Size of Institution	Academic performance with respect to the size of an institution	Size	10%
Total			100%

Source: available <http://www.universitymetrics.com/tiki-index>.

Another method is proposed by the Times Higher Education Supplement (THES). In the 2006 THES - QS World University Rankings the Peer Review Score was based on the responses of 3,703 academics around the world. Each respondent is given the opportunity to answer a question on research quality for each of the five broad subject areas in which we operate depending on whether or not they express knowledge within that area. These are:

- Arts & Humanities
- Engineering & IT
- Life Sciences & Biomedicine
- Natural Sciences
- Social Sciences

The list of institutions from which they are asked to select up to 30 they consider excellent in their subject area(s) of knowledge is dependent on the region(s) with which they claim familiarity http://www.topuniversities.com/worlduniversityrankings/university_rankings_news/article/methodology_the_peer_review/.

Beside the opinion expressed by the reviewers, there are other indicators which are included in the ranking “formula”: number of citations, the rate staff/students, international orientation of the university. The main critic of this method is the biased character of the evaluation, because it is based on the opinion of academics about other universities. The critics consider that this opinion could be not the real one, once the reviewers are not always familiar with the complex activity of another university.

Another ranking system is offered by the Webometrics Ranking of World's Universities http://www.webometrics.info/about_rank.html. The aim of the Ranking was to promote Web publication, not to rank institutions. They focus on global performance and visibility of the universities. Web indicators based ranking are not focusing mostly on research results, but on many other activities of professors and researchers that are showed by their web presence. The Web covers not only formal (e-journals, repositories) but also informal scholarly communication, which is considered to be also results of academic research. The reason for that is given by the fact that web publication is cheaper, maintaining the high standards of quality of peer review processes. It could also reach much larger potential audiences, offering access to scientific knowledge to researchers and institutions located in developing countries and also to third parties (economic, industrial, political or cultural stakeholders) in their own community.

The Webometrics ranking has a larger coverage than other similar rankings (see table below). The intention of this ranking is to motivate both institutions and scholars to have a web presence that reflect accurately their activities.

Table 2

Comparison of the main World Universities' Rankings			
CRITERIA	WR (webometrics)		ARWU (Shanghai)
Univ's Analyzed	15000		3000
Univ's Ranked	5000+		500
Quality of Education			Alumni Nobel&Field 10%
Internazionalization			
Size	Web Size	20%	Size of Institution 10%
Research Output	Rich Files	15%	Nature & Science 20%
	(Google) Scholar	15%	SCI & SSCI 20%
Impact	(Link) Visibility	50%	Highly Cited Res'ers 20%
Prestige			Staff Nobel&Field 20%

Sources: http://www.webometrics.info/about_rank.html

The unit for analysis is the institutional domain, so only universities and research centers with an independent web domain are considered. If an institution has more than one main domain, two or more entries are used with the different addresses.

The first Web indicator, Web Impact Factor (WIF), was based on link analysis that combines the number of external in-links and the number of pages of the website, a ratio of 1:1 between visibility and size. This ratio is used for the ranking, adding two new indicators to the size component: Number of documents, measured from the number of rich files in a web domain, and number of publications being collected by Google Scholar database.

Four indicators were obtained from the quantitative results provided by the main search engines as follows:

Size (S). Number of pages recovered from four engines: Google, Yahoo, Live Search and Exalead.

Visibility (V). The total number of unique external links received (inlinks) by a site can be only confidently obtained from Yahoo Search, Live Search and Exalead.

Rich Files (R). After evaluation of their relevance to academic and publication activities and considering the volume of the different file formats, the following were selected: Adobe Acrobat (.pdf), Adobe PostScript (.ps), Microsoft Word (.doc) and Microsoft Powerpoint (.ppt). These data were extracted using Google, Yahoo Search, Live Search and Exalead.

Scholar (Sc). Google Scholar provides the number of papers and citations for each academic domain. These results from the Scholar database represent papers, reports and other academic items.

The four ranks were combined according to a formula where each one has a different weight but maintaining the ratio 1:1.

Universities ranking is a very interesting and controversial subject. These hierarchies induce a lot of different expectations: the students, who justified their choice in picking one or another university, governments, who are using these ranks in order to orient public funds, sponsors, universities themselves, which used the place in international rankings in order to promote their image, to attract new students and to establish the fees. Not in last, the media is very interested in international rankings because is a very good subject and developed a real industry in this field (Harvey, 1998).

There are a lot of critics regarding these methods. Some of them are related to the methodology, which is considered not to be appropriate to evaluate a process, which is mostly qualitative, using quantitative measures (Antony, Woodhouse, 2006). Other critics consider that the motivations behind these rankings are commercial, not academic [11]. For some universities, to be in one or another classification is a goal itself and in their effort to be in those rankings they neglect the teaching process, because the rankings focus on research activity. The university is a symbiosis between teaching and research.

Comparative analysis between lithuanian and romanian universities

Lithuania is a one of the Baltic countries with a population of 3,369,600 inhabitants. There are 22 universities in Lithuania, and one third is established after 1991, the year when Lithuania proclaims its independence after the collapse of the former Soviet Union. [12]. Most universities are concentrated in Vilnius, the capital of Lithuania and Kaunas, the second largest city of the country. The oldest universities is Vilnius University, which was established in 1579 and has over 20 000 students

In Lithuania, higher education establishments provide study programs of varying length and levels. The institutions are of two types: Universities and colleges - non-university higher education establishments. Higher education establishments may be both State and non-State institutions. Universities offer master and doctoral programs, high level professional artistic creative activities, post-graduate art studies and carry out research. The status of university may be granted to a higher education establishment that performs the above functions even if its name does not include the word "university". A College is a higher education establishment where non-university studies prevail and the majority of students study in accordance with non-university study programs, applied research and (or) development or professional arts. The College's name cannot include the words "university" or "academy" http://en.wikipedia.org/wiki/List_of_universities_in_Lithuania. However, the system still utilizes some Soviet organizational methods. For example, habilitation procedure is specific to the soviet system of promotion in higher education. <http://www.edu.ro/index.php/articles/c108/>.

The ranking "syndrome" has not affected too much the higher education system in Lithuania. However, Lithuanian universities are preoccupied to compete better in the European Area of Higher Education, establishing partnerships with similar universities from other countries. Participation in European programs as ERASMUS, or accessing European funds are some of the action which demonstrates that Lithuania universities are concern about their visibility in the international context. Another evidence is given by the preoccupation of publication, Lithuania, being one of the few East European countries with journal which are ranked at very high level.

With a population almost seven times larger than Lithuania, Romania has developed its higher education system in a similar way. Many private universities were established after the Revolution. According to official data [15] in Romania there are 107 higher education institutions (universities): 54 state universities, 27 private universities accredited, 21 authorized private universities and 5 private universities in process of accreditation.

For Romanian universities, the presence in international rankings becomes one of the most important preoccupations at the national level. Each major university from Romania struggles to penetrate in these classifications. There is an independent association, Ad Astra, a non-profit association started in 2002 „as an on-line project dedicated to Romanian scientific community and oriented towards the new generation” [16], which became a real power in appreciating the performance of academic research in Romania. This association offers its own classification, using the number of articles in journals that are cited in the ISI database per 100 academics. Following this orientation, most of the universities established academic journals, and academics are more and more oriented to publish in recognized journals.

There are around 738 000 students in Romania, comparing to 195 000 students in Lithuania. Even though there are a lot of comments Despre noi, Ad Astra, 2008, referred on 08/03/2008 http://www.ad-astra.ro/general/about_us.php?lang=ro which consider that there are too many students, it is interesting that in relative terms, Romania has significantly less students per 1000 inhabitants (33) than Lithuania (60) and even less than the European average (38) [17]. The system of higher education is similar with the Lithuanian one. Both countries adopted Bologna system, which means license + master + doctoral studies.

In terms of academic research, the situation is also similar. Both of them are struggling in order to increase the quality of research activity. Both of them confronted with similar difficulties, in terms of lack of funds, language barrier and unproductive competition. The presence in international rankings becomes a goal itself, as this is recognition of a performing university. Unfortunately, none of these two countries has universities ranked in top 500. Lithuania is better placed in Webometrics, with 2 universities in top 1000. Romania has universities starting with the place 1063 (University of Bucharest).

Conclusions

Higher education in Lithuania, as in Romania, faces many challenges. The common feature lies in the transition process from planned economy to market economy.

In both countries private universities emerge in order to fill the gap between the demand and supply for higher education studies and in accordance to economic transformations. Both in Romania and Lithuania research institutions doubled the research activity and maintained the confusion regarding who should carry on the research activity and which should be the mission of a higher education institution.

The problems that universities confronted on seem to be similar. The presence in international rankings became national preoccupation and a proof that the quality of higher education system is on the right way. Even there are a lot of controversies regarding the quality of international rankings; the presence in these rankings is considered a goal itself. No Romanian or Lithuania universities are ranked in the SJU or in THES indexes. Only in Webometrics universities from these two countries are present. Lithuania has 2 universities in the top 1000 and Romania 4 universities in the top 1500. Technology is not sufficient and the research activity, which is the main part of the ranking indexes, is confronting with a negative attitude. Libraries in both countries are not properly connected to international publication and national journals are limited in disseminating the results of research. However, Lithuania seems to be in advantage. Even is far more smaller than Romania with a lower number of universities and students, there are journals cited in ISI data base in areas like economics, a field which is very poor in international journals in Eastern Europe. Access to peer review publication is restricted not only because the academics are not familiarized with this procedure, but also because of language and availability of journals. In both countries (as in almost all former communist countries, as a study shows referred on 26/04/2008, available on http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=Yearlies_new_population&root=Yearlies_new_population/C/C1/C11/caa10000) seems to be a problem with unmotivated staff, still incarcerated in old mentalities. The curriculum needs to be improved and the quality of education needs to be adapted to the market requirements. In an increasingly competitive environment, the stakeholders (especially students and business environment) are more and more demanding.

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LEADERS TODAY – FROM THEORY TO A GLIMPSE INTO SCIENCE



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Abstract. *Young scientists feel today a higher need for developing their communication and leadership skills in parallel with their research. Leadership turns to change from a top key global profile of international or national politicians into a concept essential for everyone: researchers, academics, counsellors, teachers and NGO practitioners. The paper explores what are the fields of expertise most needed by leaders working in very different organisations in their current careers: from what is available today to what they feel is a priority for a fastly changing environment.*

JEL Classification: A13, N01.

Key-words: leader, research, science.

Some people say leaders are born, not made.

Some people say leaders are made, not born.

Where do we actually place values and current perceptions? What is the connection in between the swiftly changing world of science and the even swifter changing world of management? This article tries to explore connections and find out the path to answers; there are no right or wrong ones.

The desire to understand, define, and explain the essence of leadership has interested researchers and scholars for most of the twentieth century. In their efforts to find an "accurate and precise" definition of leadership, thousands of studies have been published in the last several decades alone. Most of these explanations have focused on a single person and his or her personal qualities and skills. Social scientists have tried to identify what abilities, traits, behaviors, sources of power or aspects of the situation determine how effective a leader will be able to influence others.

Contrary to popular thinking, the term "leadership" is a recent addition to the English language. In fact the word did not come into usage until the late 19th Century. Although the words "lead" and "leader" have a much longer history, they usually referred only to authority figures. The birth and evolution of the idea of "leadership" is a much more complex concept that reaches beyond the single leader. In fact, contemporary definitions most often reject the idea that leadership revolves around the leader's ability, behaviors, styles or charisma. Today, scholars discuss the basic nature of leadership in terms of the "interaction" among the people involved in the process: both leaders and followers. Thus, leadership is not the work of a single person, rather it can be explained and defined as a "collaborative endeavor" among group members. Therefore, the essence of leadership is not the leader, but the relationship (Rost, 1993).

One result of this transformation in the concept of leadership has been the rethinking of leadership definitions. Joseph Rost of University of San Diego is one of the most popular writers in recognizing the shift from the industrial concept of leadership (leader-centered view) to a paradigm he calls the post-industrial concept of leadership. In his book *Leadership for the Twenty-First Century* (1991), he articulates a definition of leadership based on this post-industrial perspective. A definition he believes is more consistent with contemporary

organizational life. Rost's definition says that leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes.

This contemporary definition is composed of four basic components, each of which is essential and must be present if a particular relationship is to be called leadership. (Freeman et al., 1996) The relationship is based on influence. This influence is multidirectional, meaning that influence can go any which way (not necessarily top-down), and the influence attempts must not be coercive. Therefore, the relationship is not based on authority, but rather persuasion. (Howe, Freeman, 1997) Leaders and followers are the people in this relationship. If leadership is defined as a relationship, then both leaders and followers are doing leadership. He does not say that all players in this relationship are equal, but does say all active players practice influence. Typically there is more than one follower and more than one leader in this arrangement. (Rogers, 1992) Leaders and followers intend real changes. Intend means that the leaders and followers promote and purposefully seek changes. Real means that the changes intended by the leaders and followers must be substantial. (4) The changes the leaders and followers intend reflect their mutual purposes. The key is that the desired changes must not only reflect the wishes of the leader but also the desires of the followers (Rost, 1991).

To inspire your workers into higher levels of teamwork, there are certain things you must *be*, *know*, and, *do*. These do not come naturally, but are acquired through continual work and study. Good leaders are continually working and studying to improve their leadership skills; they are NOT resting on their laurels.

Before we get started, let's define leadership. Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. Leaders carry out this process by applying their leadership attributes, such as beliefs, values, ethics, character, knowledge and skills. Although the position as a manager, supervisor, lead, etc. gives you the authority to accomplish certain tasks and objectives in the organization, this *power* does not make you a leader, it simply makes you the *boss*. Leadership differs in that it makes the followers *want* to achieve high goals, rather than simply *bossing people around*.

Bass' theory of leadership states that there are three basic ways to explain how people become leaders. The first two explain the leadership development for a small number of people. These theories are:

Some personality traits may lead people naturally into leadership roles. This is the Trait Theory.

A crisis or important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person. This is the Great Events Theory.

People can choose to become leaders. People can learn leadership skills. This is the Transformational Leadership Theory. It is the most widely accepted theory today and the premise on which this guide is based.

When a person is deciding if she respects you as a leader, she does not think about your attributes, rather, she observes what you *do* so that she can know who you really *are*. She uses this observation to tell if you are an honorable and trusted leader or a self-serving person who misuses authority to look good and get promoted. Self-serving leaders are not as effective because their employees only obey them, not follow them. They succeed in many areas because they present a good image to their seniors at the expense of their workers.

The basis of good leadership is honorable character and selfless service to your organization. In your employees' eyes, your leadership is everything you do that effects the organization's objectives and their well-being. Respected leaders concentrate on what they *are* [*be*] (such as beliefs and character), what they *know* (such as job, tasks, and human nature), and what they *do* (such as implementing, motivating and providing direction).

What makes a person want to follow a leader? People want to be guided by those they respect and who have a clear sense of direction. To gain respect, they must be ethical. A sense of direction is achieved by conveying a strong vision of the future.

Since science is an integral part of our culture, scientific knowledge can profoundly alter our understanding of ourselves and of the world we live in. Science permeates our lives and yet it is often seen as remote from our daily experience. Scientific research increasingly occurs on a worldwide scale and the movement of ideas and talented researchers across disciplines and boundaries is of critical importance. Globalisation has quickened the pace of international collaboration and sharpened the disparities between rich and poor countries. Therefore, scientists ceased to function only as researchers, school managers and teachers in either universities or the working industry. They are more and more engaged in cross-disciplinary, cross-area work, involving young talents in various countries. Professional networks play a huge role in this changing arena, facilitating ideas, building on initiatives and getting people with common interests together.

The two most important keys to effective leadership

According to a study by the Hay Group, a global management consultancy, there are 75 key components of employee satisfaction (Lamb, McKee, 2004). They found that:

Trust and confidence in top leadership was the single most reliable predictor of employee satisfaction in an organization.

Effective communication by leadership in three critical areas was the key to winning organizational trust and confidence:

Helping employees understand the company's overall business strategy.

Helping employees understand how they contribute to achieving key business objectives.

Sharing information with employees on both how the company is doing and how an employee's own division is doing - relative to strategic business objectives.

Briefly, a leader must be trustworthy and you have to be able to communicate a vision of where the organization needs to go.

Principles of leadership

To help you be, know, and do are often quoted by scholars as key elements; they are about:

Knowing yourself and seek self-improvement - In order to know yourself, you have to understand your be, know, and do, attributes. Seeking self-improvement means continually strengthening your attributes. This can be accomplished through self-study, formal classes, reflection, and interacting with others.

Being technically proficient - As a leader, you must know your job and have a solid familiarity with your employees' tasks.

Seeking responsibility and take responsibility for your actions - Search for ways to guide your organization to new heights. And when things go wrong, they always do sooner or later -- do not blame others. Analyze the situation, take corrective action, and move on to the next challenge.

Making sound and timely decisions - Use good problem solving, decision making, and planning tools.

Setting the example - Be a good role model for your employees. They must not only hear what they are expected to do, but also see. We must become the change we want to see - Mahatma Gandhi

Knowing your people and look out for their well-being - Know human nature and the importance of sincerely caring for your workers.

Keeping your workers informed - Know how to communicate with not only them, but also seniors and other key people.

Developing a sense of responsibility in your workers - Help to develop good character traits that will help them carry out their professional responsibilities.

Ensuring that tasks are understood, supervised, and accomplished - Communication is the key to this responsibility.

Training a team - Although many so called leaders call their organization, department, section, etc. a team; they are not really teams...they are just a group of people doing their jobs.

Using the capabilities of your organization - By developing a team spirit, you will be able to employ your organization, department, section, etc. to its fullest capabilities.

Leaders are good communicators. You lead through two-way communication. Much of it is nonverbal. For instance, when you "set the example," that communicates to your people that you would not ask them to perform anything that you would not be willing to do. What and how you communicate either builds or harms the relationship between you and your employees.

Scientists are seen as good communicators; they are engaged in forums, face to face contacts and online activities. They often see their communication part of their work as closely linked to their teaching skills: scientists are increasingly acting as teachers and mentors for both people working in their area and for non-area specialists.

All are different. What you do in one situation will not always work in another. You must use your judgment to decide the best course of action and the leadership style needed for each situation. For example, you may need to confront an employee for inappropriate behavior, but if the confrontation is too late or too early, too harsh or too weak, then the results may prove ineffective.

Various forces will affect these factors. Examples of forces are your relationship with your seniors, the skill of your people, the informal leaders within your organization, and how your company is organized.

Facts and figures from the UK Royal Society

- Almost 1000 people have participated in public and stakeholder dialogue exercises across six studies since 2002.
- Since 2000, the Royal Society has published more than 180 policy documents - 44 of these with partners - on a range of issues including nanotechnologies, climate change and pandemic influenza.
- 200 MPs and scientists have taken part in the MP-Scientist Pairing Scheme since its inception in 2001.

<http://royalsociety.org>

Skills and competencies

If you are a leader who can be trusted, then those around you will grow to respect you. To be such a leader, competencies and skills may be grouped as follows:

BE KNOW DO

BE a professional. Examples: Be loyal to the organization, perform selfless service, take personal responsibility.

BE a professional who possess good character traits. Examples: Honesty, competence, candor, commitment, integrity, courage, straightforwardness, imagination.

KNOW the four factors of leadership - follower, leader, communication, situation.

KNOW yourself. Examples: strengths and weakness of your character, knowledge, and skills.

KNOW human nature. Examples: Human needs, emotions, and how people respond to stress.

KNOW your job. Examples: be proficient and be able to train others in their tasks.

KNOW your organization. Examples: where to go for help, its climate and culture, who the unofficial leaders are.

DO provide direction. Examples: goal setting, problem solving, decision making, planning.

DO implement. Examples: communicating, coordinating, supervising, evaluating.

DO motivate. Examples: develop morale and *esprit de corps* in the organization, train, coach, counsel.

Skills are developed as we mature, and your years in school are a good time to make sure that you have the ones you need. Students who emerge as young scientists with a deficit of social and communication skills might be severely handicapped in pursuing a satisfying career. As the range of employment for scientists and engineers expands, especially in the nonacademic world, it is vital to gain as many skills as possible before leaving the university setting.

Attributes are aspects of your nature (although they can be developed). Unlike skills, which enable you to *do* something, attributes enable you to *be* someone. Sometimes they are inherent; at other times these attributes are learned from the example of parents, friends, teachers, and other mentors, as well as through personal experience.

For example, how well do you interact with others? Do you accept responsibility for your failures or do you blame them on someone else? Are you enthusiastic, alert, thorough, imaginative, self-reliant?

Mentoring is related to key in developing leadership skills. If teaching is primarily the imparting of facts, mentoring is imparting procedures: ways of thinking, doing research, and approaching new problems. Leaders teach not only by instruction and participation, but also by example and they have an interest not only in your performance, but also in your progress as a person. A good mentor relationship is personal: a mentor should have opportunities to discuss issues of ethical, ideologic, and philosophic concern, as well as more practical matters.

Environment

Every organization has a particular work environment, which dictates to a considerable degree how its leaders respond to problems and opportunities. This is brought about by its heritage of past leaders and its present leaders.

Goals, Values, and Concepts

Leaders exert influence on the environment via three types of actions:

The goals and performance standards they establish.

The values they establish for the organization.

The business and people concepts they establish.

Successful organizations have leaders who set high standards and goals across the entire spectrum, such as strategies, market leadership, plans, meetings and presentations, productivity, quality, and reliability.

Values reflect the concern the organization has for its employees, customers, investors, vendors, and surrounding community. These values define the manner in how business will be conducted.

Roles and relationships

Roles are the positions that are defined by a set of expectations about behavior of any job incumbent. Each role has a set of tasks and responsibilities that may or may not be spelled out. Roles have a powerful effect on behavior for several reasons, to include money being paid for the performance of the role, there is prestige attached to a role, and a sense of accomplishment or challenge.

Relationships are determined by a role's tasks. While some tasks are performed alone, most are carried out in relationship with others. The tasks will determine who the role-holder is required to interact with, how often, and towards what end. Also, normally the greater the interaction, the

greater the liking. This in turn leads to more frequent interaction. In human behavior, its hard to like someone whom we have no contact with, and we tend to seek out those we like. People tend to do what they are rewarded for, and friendship is a powerful reward. Many tasks and behaviors that are associated with a role are brought about by these relationships. That is, new task and behaviors are expected of the present role-holder because a strong relationship was developed in the past, either by that role-holder or a prior role-holder.

Culture and climate

There are two distinct forces that dictate how to act within an organization: culture and climate.

Each organization has its own distinctive culture. It is a combination of the founders, past leadership, current leadership, crises, events, history, and size. This results in *rites*: the routines, rituals, and the "way we do things." These rites impact individual behavior on what it takes to be in good standing (the norm) and directs the appropriate behavior for each circumstance.

The climate is the feel of the organization, the individual and shared perceptions and attitudes of the organization's members. While the culture is the deeply rooted nature of the organization that is a result of long-held formal and informal systems, rules, traditions, and customs; climate is a short-term phenomenon created by the current leadership. Climate represents the beliefs about the "feel of the organization" by its members. This individual perception of the "feel of the organization" comes from what the people believe about the activities that occur in the organization. These activities influence both individual and team motivation and satisfaction, such as:

How well does the leader clarify the priorities and goals of the organization? What is expected of us?

What is the system of recognition, rewards, and punishments in the organization?

How competent are the leaders?

Are leaders free to make decisions?

What will happen if I make a mistake?

Organizational climate is directly related to the leadership and management style of the leader, based on the values, attributes, skills, and actions, as well as the priorities of the leader. Compare this to "ethical climate" -- the "feel of the organization" about the activities that have ethical content or those aspects of the work environment that constitute ethical behavior. The ethical climate is the feel about whether we do things right; or the feel of whether we behave the way we ought to behave. The behavior (character) of the leader is the most important factor that impacts the climate.

On the other hand, culture is a long-term, complex phenomenon. Culture represents the shared expectations and self-image of the organization. The mature values that create "tradition" or the "way we do things here." Things are done differently in every organization. The collective vision and common folklore that define the institution are a reflection of culture. Individual leaders, cannot easily create or change culture because culture is a part of the organization. Culture influences the characteristics of the climate by its effect on the actions and thought processes of the leader. But, everything you do as a leader will affect the climate of the organization.

Rost reminds us that leadership is not what leaders do. Rather, leadership is what leaders and followers do together for the collective good. In today's society, leaders operate in a shared-powered environment with followers. No longer does a single leader have all the answers and the power to make substantial changes. Instead, today we live in world where many people participate in leadership, some as leaders and others as followers. Only when we all work together can we bring about successful changes for our mutual purposes.

Many organizational theorists would agree that Rost's definition is more consistent with the type of leadership needed in contemporary society. Slowly scholars and practitioners alike are giving up on the old ways of leadership, the industrial paradigm. This traditional approach to leadership is characterized by a top-down philosophy, where the leader is decisive, efficient, unemotional and in-control. The changes in the way we view leadership can also be found in other

disciplines where descriptions of our world are objective, single, mechanical, hierarchical and controllable. The post-industrial leadership paradigm, on the other hand, is characterized by collaboration, power-sharing facilitation and empowerment. This new view of the world is more complex and diverse, mutually shaping and spontaneously changing (Rogers, 1992).

Rost reminds us that leadership development programs that are synonymous with the development of leaders are no longer appropriate. We know that today leaders are not the only people involved in the leadership process. Therefore, our developmental models (including both content and pedagogy) must accommodate the changing post-industrial paradigm of leadership. This means that leader development is no longer sufficient for the 21st century. If leadership is what leaders and followers do together, then it is logical that our educational environments reflect this collaborative perspective.

Rost (1993) provides several recommendations for those who are responsible for the operations of collegiate leadership development programs. (1) Stop concentrating on the leader. Leadership programs that only attempt to produce leader qualities among students are less useful. Programs must reach well beyond emphasizing leader traits, behaviors, and personal characteristics. (2) Prepare students to use influence within noncoercive relationships. Program activities should train students to use persuasive and rational strategies of influence. Students should be encouraged to work in leadership relationships that are based on mutual influence and that seek mutually beneficial outcomes. (3) Help students understand the nature of transformational change. Leadership development programs should illustrate the key role organizational change plays in the post-industrial view of leadership. As change agents, our graduates should learn to challenge the status quo, create new visions, and sustain the movement. (4) Reconstruct students' basic view toward a collaboration orientation. Encourage students to challenge the basic assumptions about life that are based on self-interest and competition. Leadership in the new millennium will be much more collaborative, and therefore, our leadership program should encourage consensus, cooperation, and collaboration rather than competition and conflict.

If our goal is to prepare young people for leadership in the next century, it is imperative that our leadership development programs reflect this new paradigm. Our students will need the knowledge and skills necessary to be successful in the post-industrial view of the 21st century, not the leadership skills that served the 20th century. Thus, our curricula should emphasize leadership development learning activities that truly foster the collaborative spirit.

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LEADING THE FIGHT AGAINST GLOBAL WARMING: HYBRID CARS IN EMERGING MARKETS

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Abstract. *It is predicted that car ownership in the world will increase by 130 million units by 2015. Most new car ownership is in emerging markets such as China and India. As car ownership grows globally, one of the biggest challenges facing society is global warming due to increases in greenhouse gas emissions. Hence, the purpose of the study was to measure the awareness of global warming and attitudes towards hybrid cars in Asia. Two hundred and sixteen individuals were randomly selected in Singapore to participate in the survey. Section 1 of the questionnaire was designed to measure respondents' awareness of global warming, Corporate Social Responsibility, hybrid cars, and respondents' attitudes towards purchasing the car. Section two sought demographic information of respondents. The majority of respondents were married males between the ages of 25–44 with incomes ranging between SD \$15,000 - \$45,000. Further, findings showed that there was great demand for cars in Singapore among young people; however, most respondents had low awareness of corporate social responsibility. Most respondents knew basic information about global warming, such as causes and impact on society, and over half had little knowledge regarding hybrids and their role in reducing global warming. Hence, marketers need to raise awareness of hybrids, communicating both environmental and economical benefits. Marketers might incorporate the environmental message about such cars especially among young people and overall stress the importance of the auto manufacturers' role as a socially responsible corporation in protecting the environment to gain a competitive advantage in the marketplace.*

JEL Classification: I11, I12, I3

Key-words: global warming; hybrid cars.

Introduction

Hybrid vehicles have been a new market entry since Honda and Toyota introduced them in the late 1990s (Hybrid car organization, 2005). The sale of hybrid cars has been increasing because of greater fuel economy and lower emissions than traditional fuel cars. According to recent research by Berman (2007), global hybrid registrations in 2007 were 414,396 units. Top hybrid producer Toyota Motor Corporation has predicted that global annual sales of hybrid cars could reach 1 million in 2010 (Stablum, 2007). In 2007, the top 5 global hybrid markets were USA (70%), Japan (14%), UK (3.4%), Canada (2.9%) and Germany (1.5%) (Berman 2007). In USA, the sale of Prius, the best selling hybrid car, reached 110,565 units through July 2007, nearly double from 59,270 units during the same period of 2006 (Madden 2007). Hybrid cars have been well received in Japan and other developed countries in Europe and North America.

However, emerging markets, such as India, South America, and China are those that need clean, environmentally friendly technology. In such emerging markets, the number of passenger cars on the road has dramatically increased. For example in China, the number of privately-owned cars was close to 22 million at the end of 2006 compared to 3.5 million in 2001 according to the National Bureau of Statistics of China (People's Daily Online, Feb 28th 2007). China has already become the second largest automotive market behind USA. Needless to say, the rapid increase in the number of cars on the road has caused serious

pollution. According to the World Bank, 16 of the world's 20 most polluted cities are in China (The Epoch Times 2006). Most of the other polluted cities are in emerging markets such as Russia and India. As car ownership grows globally, one of the biggest challenges facing society is global warming due to increases in greenhouse gas emissions. Thus, understanding consumers' perceptions of global warming and recent environmentally friendly technologies, such as hybrid cars, is critical for marketers to develop strategies to encourage adoption. Hence, the purpose of this study was to measure the awareness of global warming and attitudes towards hybrid cars in Asia.

One of the reasons why hybrid cars sales are slow is the gap between annual income and car prices. According to JD Power and Associates (Marubeni 2006), the median transaction price of cars is 32% of average gross annual household income in the US, yet 134% in China and 123% in India. The Singapore GDP per person is the highest in Asia followed by Japan, which means more and more consumers have purchasing power for cars. Singapore is located at the southern tip of Malay Peninsula, with a population of 4,680,600 as 2007 estimate (Singapore Department of Statistics 2007). Despite their high GDP per person, car ownership is relatively low (approximately 10%) compared to countries with similar GDP levels because of the high cost of car ownership in the country. (The Economist Intelligence Unit Limited 2005) Since Singapore is a small nation and densely populated, the government controls the number of cars registered every year. Car owners pay an additional registration fee (ARF) as well as paying for a Certificate of Entitlement (COE) and excise duties. According to The Economist Intelligence Unit, "In November 2005 COE permits cost about S\$14,700 (about US\$8,855) for cars with engines smaller than 1.6 liters and \$14,751 for cars with engines larger than 1.6 liters." (Industry Forecast December 2005, p. 83) Moreover, the electronic road-pricing network (ERP) that is placed at busy traffic areas, charges drivers when they enter these busy areas. Therefore, the cost of car ownership is heavily influenced by governmental levy (The Economist Intelligence Unit Limited 2005).

To understand how new technologies are diffused in society, an understanding of diffusion theory is essential. In the US, although hybrid sales keep growing every year, hybrids still made up only slightly more than one percent of the market in 2006 (Madden 2007). Therefore, current hybrid car owners can be categorized as innovators. But JD Power predicts that the percentage will increase to 3 % by 2010 (Green Car Congress, 2005). Thus, hybrid technology is about to move from the innovator stage to the early adopter stage. One factor in the diffusion of hybrid technology worldwide is awareness of global warming.

Global warming

The growing awareness of global warming has had a significant impact on the automotive industry and various countries' governments (Tadachi, 2008). Initiated by Toyota Prius, automotive manufactures started developing environmentally friendly vehicles to reduce greenhouse gas emissions during the last decade. Governments in developed countries legislated new policies and laws, such as setting emission standards for auto manufactures as well as providing incentives to hybrid owners to reduce CO₂ emission from cars (Tadachi, 2008). These movements raised consumers' awareness of global warming and increased their choices of cars.

Kyoto protocol

The first international effort to address the greenhouse effect was the Kyoto Protocol (European Commission 2007). To reduce global greenhouse gases emission, the Kyoto Protocol was ratified on December 11th, 1997 (Lindsay, 2001). The agreement was made under the United Nations Framework Convention on Climate Change (UNFCCC). One hundred seventy four countries ratified and adopted the protocol as of November 2007. These countries committed to reduce their emissions of carbon dioxide and five other greenhouse

gases, and/or engage in emissions trading if they maintained or increased emissions. (European Commission, 2007).

Since 1997, Singapore has been a party to the UN Framework Convention on Climate Change. However, the country did not accede to the Kyoto protocol until 2006 due to difficulty changing from burning fossil fuels to renewable sources of energy or non-carbon alternatives to meet the energy needs of its growing population and economy (Ministry of the Environment and Water Resources, 2004). However, Singapore decided to accede to the Kyoto protocol in April 2006 for several reasons: 1) the financial sector could expand into the CO₂ emission trading market; 2) 70% of the power generated for Singapore has already been changed to natural gas and has achieved high efficiency; and 3) reducing greenhouse emissions would not have a negative impact on economic growth (Ministry of the Environment and Water Resources, 2004). However, according to key environmental statistics (Singapore Department of Statistics 2007), Singapore produces 1% of world greenhouse gas emissions. From 1990 to 2004, CO₂ per GDP was reduced 22%, and the government's goal is to reduce emissions by 25% by 2012 compared to the level in 1990 (Ministry of the Environment and Water Resources, 2007).

Corporate social responsibility

Corporate social responsibility (CSR) is a concept with a growing demand around the globe. Although CSR does not have a universal definition, it is often regarded as organizations considering the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations (Industry Canada 2005). Major CSR issues include stakeholder engagement, environmental management, labor standards, governance, community relations, social equity, responsible sourcing and human rights. (CSRnetwork 2008) and have been gaining importance particularly in the automotive industry. Given their role in global warming, automotive manufacturers are involved in corporate social responsibility activities such as forestation to improve their green image among consumers (Carbonfund.org, 2007).

Methodology

Population and sample

The study sought to determine awareness of global warming, corporate social responsibility (CSR), hybrid cars, and attitudes toward cars among people living in Singapore. Two hundred sixteen individuals were randomly selected to participate in the survey. The sample consisted of 157 local residents mainly Chinese-Singaporean, and 59 non-local residents. The age distribution ranged from 18-64. However, the majority of the sample was drawn from those in their late 20's to early 50's. The largest age group was 35-44 representing 86 individuals, followed by 25-34 (70), 45-54 (33), 18-24 (16), and 55-64 (11).

Instrument

The questionnaire consisted of two sections. Section 1 was designed to measure respondents' awareness of global warming, CSR, and hybrid cars, as well as their attitudes towards purchasing a car. Questions 1, 2, 3 and 6 were measured via YES/NO response and included the following questions: "Do you own a car?", "Do you plan to purchase a car in the next 5 years?", "Have you ever purchased a hybrid car?", and "Do you want to purchase a hybrid car?"

Question 4 was measured on a four point modified Likert scale. Respondents were asked to rate their awareness level of global warming and hybrid cars using the scale of "Know nothing"(1), "Know little", "Fairly knowledgeable", and "Very knowledgeable"(4). Questions 5 and 7 were also measured by a modified Likert scale from Very Unimportant (1) to Very Important (5). Respondents were asked to rate the importance of several factors (e.g., price, fuel efficiency) when purchasing a traditional fuel car and then a hybrid car. Question 8 was measured by multiple choice questions; "If you are not interested in purchasing a hybrid car, could these factors change your mind? (Choose one only) for respondents who answered

“No” in Question 6; “Do you want to purchase a hybrid car?” Respondents were required to choose from the following options: “Better gas mileage than a gasoline car”, “Competitive pricing”, “Wider variety in hybrid car models” and “More governmental privilege (rebate, tax saving)” Section 2 of the questionnaire collected demographic information of respondents.

Findings

Demographic characteristics of respondents

More than half (58.3%) of the respondents were male and approximately three fourths ranged in age from 25 to 44 years of (72.2%). A majority (63.9%) of respondents’ ethnic background was Chinese-Singaporean. The annual household income level distribution ranged from \$15,000 SGD or less to \$90,000 and over with the majority (47.3%) of respondents reporting annual incomes between \$15,000 to \$60,000 SGD. Over half (54.6%) of the respondents’ marital status was married with children.

The Singapore respondents’ car ownership

Among respondents, just a little over half (50.5%) owned cars. Results also showed that slightly less than half of respondents plan to purchase a car in the next 5 years. Less than 1 % of respondents purchased a hybrid car.

Awareness level of global warming

Respondents were fairly knowledgeable regarding global warming, its causes and impact on society. Specifically, 67.1% of respondents were either fairly or very knowledgeable about the causes of global warming, and 65.1% were either fairly or very knowledgeable of its impact on society. On the other hand, a majority answered either “know nothing” or “know little” about the Kyoto Protocol or the government’s policy on global warming (Tables 7 and 8). Most respondents (33.8% and 47.7% respectively) had little knowledge of the Kyoto protocol and governmental policy.

Awareness level of hybrid cars and corporate social responsibility

Over half (59.7%) of respondents answered either “Know nothing” or “Know little” about hybrid cars. Results show that 76.4% of respondents “Know nothing” or “Know little” about corporate social responsibilities (CSR) of car manufacturers.

Consumers’ attitudes towards cars

Question 5 asked respondents to rate the importance of each factor (e.g.; price, safety) when purchasing a car. Results indicated that the most important factors were safety followed by price and fuel efficiency. The least important factor was auto manufacturers’ corporate social responsibility. Table 11 below shows the factors influencing respondents’ car purchasing behavior in descending order of importance.

Approximately 94 percent of respondents felt “safety” was either “Very important” or “Important” when purchasing a car. Further most respondents (43.1%) felt CSR was neither an important nor unimportant factor when purchasing a car. On the other hand, almost the same number of respondents (41.7%) felt CSR was either “Important” or “Very important.” Further regarding question 6, a majority of people (57.9%) did not want to purchase a hybrid car.

Question 7 was only answered by 91 respondents who answered “Yes” in Question 6; “Do you want to purchase a hybrid car?”

Findings indicated that the most important criteria when purchasing a hybrid car were “Fuel efficiency” followed by “Price”. The least important factor was “Personal responsibility over global warming”. Almost all (95.6%) respondents felt fuel efficiency was either “Very important” or “Important” factor when purchasing a hybrid car. On the other hand, 76.9% regarded personal responsibility over global warming, “Very important” or “Important”.

Question 8 was only answered by 126 respondents who answered “No” in Question 6; “Do you want to purchase a hybrid car?” to help the researcher discover what factors currently prevented customers from purchasing a hybrid car. Of the factors that would promote sales of hybrids, over one third (37.3%) of respondents who did not want to purchase

a hybrid car felt more “competitive pricing” would change their mind, while 34.9% of them believed “more governmental privileges” would change it.

Discussion and implications

Awareness level of global warming, hybrid cars and CSR

Awareness of global warming has had a great impact on the automotive industry and customers especially in developed countries. However, the findings indicated slow hybrid sales were attributed to lack of awareness of them and the Kyoto Protocol.

Results showed that the majority knew basic information about global warming, such as causes and the impact on society; however most were not knowledgeable regarding Kyoto protocol and Governmental policy over global warming. Therefore, marketers could emphasize hybrid's environmental benefit in their advertising strategy. Marketers could communicate that by owning hybrid car, customer can join the fight against global warming.

Over half had little knowledge regarding hybrids and their role in reducing global warming. Findings indicated that especially awareness level is low among young generation. Specifically, 43.8% of the 18-24 year olds answered “know nothing” about hybrid cars. Also findings showed low awareness level among female. 36.7% of female respondents answered “know nothing” about hybrid cars.

Hence, marketers need to raise awareness of hybrid cars, communicating both environmental and economical benefits. Further, marketers might incorporate the environmental message about hybrid cars especially among young people, since results showed that they were unaware of their benefits. As future purchasers of cars this target market would propel sales of hybrid if informed of their environmental benefits. Moreover, marketers could plan the marketing strategy to raise awareness of hybrid cars among female consumers since they influence considerably on decision maker, especially among family.

One of the major implications of the study is the need to raise the awareness of corporate social responsibility. Over three fourths (76.4%) of respondents “Know nothing” or “Know little” about corporate social responsibilities of auto manufacturers in Singapore. On the other hand, in other developed countries, nearly 90% of consumers indicated that they were more likely to purchase a product or service from a corporation with responsible business practices while 80% indicated that they would refrain from purchasing a product or service if the corporation failed to follow environmentally friendly or ethical business practices (Ameinfo.com 2006). This indicates that Singapore consumers lagged behind other country in terms of understanding of CSR. Therefore, auto marketers might promote and communicate their CSR to consumers in Singapore, which could differentiate and enhance their brand equity, and would increase sales in the long run.

Findings showed low awareness level especially among young generation. This might attribute that young people have very little opportunity to know about CSR and its concept. However, as CSR may become a factor for choosing one automaker over another, marketers could promote their CSR activities to this segment.

Attitudes toward purchasing a car

Findings indicated that consumers who would most probably purchase a car are consumers with annual incomes above SD\$30,000 and who are between 18 to 34 years of age. The results also indicated that male consumers have a stronger desire to own cars than females. This segment would be the main target for automakers, hence marketers could conduct research to know their specific needs and reflect them in product development and marketing strategy.

The results indicated that the top three most important factors when purchasing a car were price, safety and fuel efficiency. Therefore, communicating these important features effectively to the main target, consumers with annual incomes above SD\$30,000 and who are between 18 to 34 years of age, is critical to increase sales and share

The fact that only 20% of respondents whose income was below SD\$30,000 owned cars reflects the high cost of purchasing a vehicle in Singapore. Auto manufacturers could offer competitive pricing for those segments to increase market share. Also they should communicate the features that promote safety and fuel efficiency. Price promotions such as rebates would also be effective in increasing car ownership.

The fact that respondents married with children show the highest rate of car ownership (71.6%) indicates that these families seek the convenience of driving a car compared to using public transportation. Therefore, automakers should promote the family-friendliness of their cars.

Consumers' attitudes towards hybrid cars

The results show that less than 1% of respondents have purchased a hybrid car, which indicates that hybrid cars have not diffused in the marketplace and are still in the introductory stage in Singapore. Also, findings revealed that the majority of respondents (57.9%) did not want to purchase a hybrid car, especially demand is low among those 25 to 34 years of age. Findings indicated that consumers who would most probably purchase a hybrid car are consumers with annual incomes above SD\$80,000 and who are between 55 to 64 years of age.

Over two-thirds of respondents between the ages of 55-64 were the most interested in purchasing a hybrid among age segmentation. The fact that this segment showed highest awareness level of hybrid cars, global warming, and CSR, could testify that raising awareness level of them would increase the demand of hybrid cars. Also, targeting this segment may lead to increased sales of hybrid cars.

Furthermore, findings revealed incentives that may stimulate purchase included "Competitive pricing" and "More government privileges". Currently hybrid cars are too expensive and government incentives or privileges are not great enough to support their purchase. The Land Transport Authority of Singapore sets the tax privilege for hybrid cars that is a rebate equivalent to 40% of the Open Market Value (OMV) that can be used to offset the Additional Registration Fee (Land Transport Authority, 2007). However, this "Green Vehicle Rebate" is not significant to consumers because owing a car in Singapore has been made very expensive purposely by the government to control traffic. Also, the Singapore government encourages car owners to scrap or export their vehicle within 10 years after registration. (Land Transport Authority, 2007) Therefore, in addition to limited governmental privileges for hybrid car owners, the amount of money saved by paying less for petrol within the 10-year period may not cover the extra cost of purchasing a hybrid car.

Hence, some consumers are not motivated to purchase hybrid cars; perhaps automakers should work with the Singapore government to improve incentives for their purchasing. For example, extending the period that car owners can receive rebates from 10 years to 15 years regarding the Green Vehicle Rebate might be something automakers could work with the government to change. Moreover, reduction of the Singapore road tax in addition to the electronic road tax to hybrid owners may increase hybrid sales. As competition increases in Singapore with a greater variety of car selections, social responsibility will become a factor for choosing one automaker over another. Therefore, automakers should be socially responsible with helping Singapore and its residents and communicate this in promoting sales of their brand over the competition.

Another implication might include, providing government and the public sector with hybrid cars at a discount rate. As Singapore government acceded to the Kyoto protocol (Ministry of the Environment and Water Resources, 2004), it would be important for them to maintain clean image and show the effort to combat global warming. Therefore, marketers should promote the use of hybrid cars as the government's public cars such as patrol cars, taxis, buses, and military vehicles. This would raise the awareness of hybrid cars among consumers by increasing the exposure of hybrid cars.

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THE PERFORMANCE OF CREDIT INSTITUTIONS IN THE CONTEXT OF INCREASED MACROECONOMIC UNBALANCES

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Abstract. *By their nature, credit institutions, especially those in emerging countries, have a high sensitivity to macroeconomic volatility and, mostly, to significant variations of the exchange rate. The purpose of this study is to identify an explicit relation between macroeconomic developments and the performance of Romanian credit institutions based on an econometric model that quantifies the probability of CAAMPL rating downgrade events. The statistically relevant microeconomic determinants of rating downgrade events are the current financial strength (which is measured by the current CAAMPL rating), the institution's market share on credit segment and the weight of its nonperforming loans in total assets. In addition to these micro factors it was found that the exchange rate and the unemployment rate are statistically relevant macroeconomic explanatory variables. The results of running this early warning system on the available data as for 31st December 2007 show that the Romanian banking system will perform in 2008 at least as well as in 2007. The performance would significantly decrease in the context of severe exchange rate depreciation or unemployment rate increase towards the levels registered in the early 2000s, but without any material systemic implications.*

JEL Classification: G21, G32, G33.

Key-words: early warning system; downgrade probability; Basel II; *off-site* supervision; CAAMPL bank rating.

Introduction

The role of the banking system as a key element in the savings – investments process makes its stability to be a priority on the agenda of public authority. Among the main objectives of a central bank is that of preventing systemic risk by promoting an efficient banking supervision, which ensures stability and viability for the entire financial system. As such, central banks have developed methods and processes for the on-going bank supervision and assessment, prerequisites of preventing the occurrence of a large variety of banking crisis or of other unwelcome events regarding the entities of the banking system, the most important of them being the rating and early warning systems.

The advantages of using rating systems are recognized by supervision authorities in the entire world, fact proven by their extensive use in preventing the bank contagion phenomenon⁽¹⁾. By separating sound credit institutions from those that present material deficiencies, the bank rating allows a better allocation of the limited resources at the disposal of the supervision authority, in order to prevent the spread of individual imbalances in the system.

However, bank rating methodologies used by supervision authorities are mostly represented by expert systems which only provide assessments for the period the performance is analyzed over, without giving significant insight about the future developments. Hence, *ex-post* results must be completed by information provided by instruments of prediction, the use of which gives more time to the supervision authority to adopt the necessary measures.

In particular, special attention is given to improving the quality of bank examination by developing adequate support systems which may assist the supervisors in an early identification of potential unfavorable trends in one banks' activity, which may lead to serious

problems in the future (Bichi, Dumitru, Moinescu, 2003). Traditionally, these trends include issues such as adverse changes in profitability, material deterioration of bank's market share and worsening of financial indicators as determined for each bank based on their previous registered values or by comparison with those determined for the peer group. Recent research focuses on sophisticated systems which use econometric techniques to estimate the insolvency probability or the downgrade probability. Based on the information provided by these instruments, on-site inspections with specific targets are triggered or in case of general examinations which are conducted on a regular basis, the priorities are ranked. Hence, the use of early warning systems for the deterioration of bank performances allows both the improvement of the on-site supervision effectiveness and a better management of the limited resources at the disposal of the prudential control authority.

The role of the micro-prudential early warning system (EWS) is that of providing *ex-ante* evidence regarding potential financial issues of credit institutions, based on their current financial statements. EWSs used by central banks or by supervision authorities combine qualitative and quantitative analysis in different weights. Since the '90s, quantitative methods got a head start and at present they are the main methodological component of EWSs. Among those, the most popular systems in the field of empirical research are orientated to estimating bankruptcy or rating downgrade probability (Jagtiani, Kolari, Lemieux, Shin, 2003), using *logit/probit* regressions or duration models. The discrimination between insolvency or rating downgrade situations and those of adequate capitalization or upgraded / maintained rating was generally performed using a single threshold, which was either set so the model's performance was maximized, or a certain level for type one error to type two error ratio was reached. On the other hand, the recent requirements regarding the proper segmentation of risk, comprised in the Basel II Accord (BCBS 2004 – paragraph 389), suggest that using only one threshold is no longer the best practice in the field, the solution being the development of a rating scale with a sufficient number of risk categories.

In such a context, the purpose of this study is that of identifying an explicit relationship between macroeconomic evolution and the performance of Romanian credit institutions based on an early warning system for credit institutions decreasing in performance.

The paper is structured in four sections, ending with conclusions and issues for future analysis. The first section describes the methodology used in the downgrade CAAMPL bank rating prediction system, starting with technical elements regarding the estimation of the statistical model used to quantify the probability of rating downgrade. The second section presents the data, describing in detail both the micro prudential information and the set of macro variables that is used. The third section describes the main empirical issues concerning the development and testing of the econometric model that quantifies the probability of CAAMPL rating downgrade events. The fourth section comprises the predictions made as for the end of 2008 regarding the probable performance of Romanian credit institutions and its sensitivity to possible macroeconomic unbalances, such as severe exchange rate depreciation or significant increase in the unemployment rate.

Methodology

In general, a rating downgrade prediction mechanism is based on a conditional probability model for decreasing bank performances in a specified time horizon. Early warning systems either developed by academia or created by supervision authorities, use in one form or in other statistical models. The interest for applying these approaches results both from their objective features and from the possibility of automating the assessment process. Another important issue is the rating scale, which ensures a good segmentation of rating downgrade risk and, implicitly, a proper interpretation of signs provided by the statistical model.

We used a *logit* model approach in order to build the early warning system for decreasing bank performances, which predicts the rating downgrade with one year in advance. The endogenous variable is binary and it discriminates between rating downgrade events and rating upgrade or maintaining events in a time horizon of one year. Conventionally, we place the value of zero to the dependent variable when the rating is improved or remains constant

and the value of one when the rating is downgraded exactly over 12 months. The set of exogenous variables includes both micro prudential information and macroeconomic indicators. The candidate variables selection has been done by means of literature review and recommendations from supervisors. These were empirically tested, finally being retained only those indicators and criteria that have statistical significance.

The estimation methodology has the following model design:

$$P(y_i = 1/x_i, \beta) = \frac{1}{1 + e^{-x_i\beta}} \quad P(y_i = 1/x_i, \beta) - \text{is the downgrade probability conditional to banks' features and macroeconomic environment}$$

The marginal contribution of each variable to the downgrade risk is given by the first order derivation of the probability against the exogenous variable x_i :

$$\frac{\partial P}{\partial x_i} = f(\beta\bar{X})\beta_i \quad \text{where } f(\beta\bar{X}) \text{ is logistic probability density function assessed to the average values of stochastic X vector.}$$

This process is equivalent to a factorial decomposition based on which is possible to derive the main source of risk to which is exposed the performance of a certain credit institution.

Judging from the supervision activity point of view, the estimated *logit* regression function role is to provide the score (theoretical downgrade probability) based on which the banks are classified. In order to interpret the results is necessary, on the one hand to set the alarm threshold (P^* – Figure 1), and on the other hand, the interval bounds that segments the rating scale.

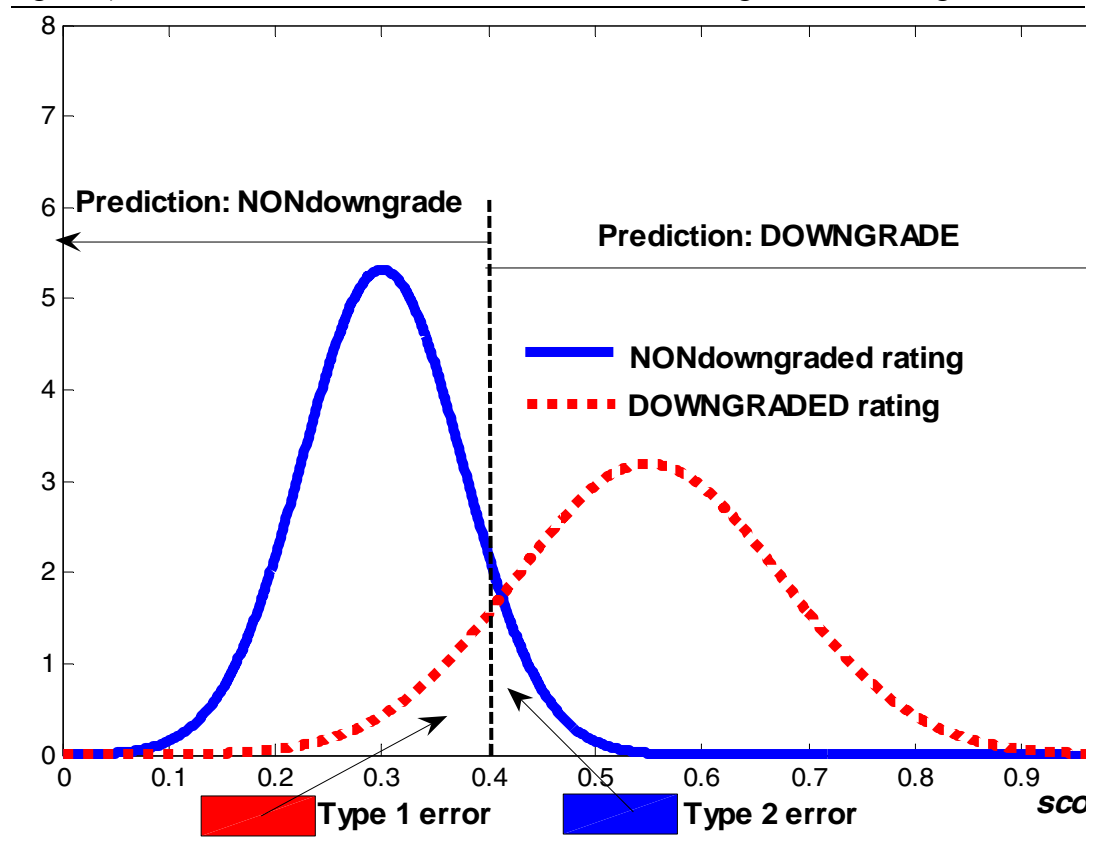


Figure 1. Banks' classification based on the logit score

Traditionally, when the *logit* score is above the threshold (P^*), the model classifies the bank in the downgrade category. Otherwise, the model classifies the bank as non-downgrading institution. The overall statistical model performance is influenced by the value of chosen threshold, the hit rate being directly affected by this. The accuracy potential level of the statistical model is derived by optimizing the threshold value based on the relative importance between the prediction errors. These are of two categories: un-signaled

downgrades (type 1 errors) and false alarms (type 2 errors). Type 1 error designates the situation in which the model classifies the bank in non-downgrading category when, in fact, it records a rating downgrade, after one year period of time. Type 2 error designates the situation in which the model classifies the bank in downgrading category when, in fact, it doesn't record a rating downgrade, after one year period of time.

From the methodological point of view, setting the relative importance between the two error rates depends on the scope in which is used the estimated *logit* function. Generally, is assigned an equal importance for both error categories. From the supervision authority perspective, the un-sigaled downgrades could be more costly than false alarms, so that the relative importance coefficient becomes more than one. We consider appropriate to use both approaches within our study: (a) equal importance for both error categories; (b) double (triple) importance for type one error rate against type two errors rate.

Data

The data sample used in order to build the CAAMPL rating downgrade prediction model is a panel with 31 credit institutions, Romanian legal persons. Mortgage banks and branches of foreign credit institutions were not included in this sample. Data used in estimation covers December 1999 – December 2006 period, while the predictions for the end of 2008 were performed using data as for 31st December 2007.

The initial set of candidate variables was comprising around 30 elements, raw data and synthetic indicators which covers the criteria traditionally used in bank micro-prudential analysis. The main data categories are: a) capital adequacy indicators; b) profitability indicators; c) liquidity indicators; d) asset quality indicators; e) market share indicators. In addition macroeconomic variables were considered which cover issues related to economic growth, inflation, exchange rate, unemployment and current account deficit.

Empirical analysis

Following the univariate tests, there were retained in the empirical estimations only five variables: (i) the *current rating (RATING)*; (ii) the *market share* based on credit portfolio (*MS_CREDIT*); (iii) the *weight of nonperforming loans in total assets (NPL)*; (iv) the *nominal exchange rate (ER)*; (v) the *unemployment rate (UR)*. Statistical analysis has shown that, until now, both capital adequacy and liquidity indicators didn't provide any significant information in order to explain the rating downgrade phenomenon. In the same time, the profitability indicators have a reduced capacity to identify CAAMPL rating downgrade events, while economic growth and interest rates have an inconsistent influence during the period of time covered by the sample.

Following the tests on the training sample using the selected criteria, the result which was obtained estimating the polynomial *logit* function resembles with those obtained in other studies that modeled the rating downgrade probability (Table 1). The values of the statistical tests performed on the training sample emphasize that the estimated model is in line with the requirements of a good econometric performance. The coefficients are statistically significant and their signs are in accordance with economic theory.

Table 1.
CAAMPL rating downgrade model estimation results

Variables	Coefficient	Standard error	z-Statistic	Prob.
RATING	-2.563322	0.180854	-14.17344	0.0000
MS_CREDIT	-40.50596	4.654076	-8.703331	0.0000
NPL	23.87578	6.268412	3.808904	0.0001
ER	0.327870	0.160479	2.043075	0.0410
UR	21.25899	5.159700	4.120199	0.0000
C	1.590216	0.939821	1.692042	0.0906
McFadden R ²	0.276813	Akaike info criterion		0.579
Prob.(LR stat)	0.000000	Schwarz criterion		0.595

The downgrade probability⁽²⁾ is negatively influenced by the current rating and by the market share in credit segment, while the weight of non-performing loans in total assets, the nominal exchange rate and the unemployment rate have a positive influence. The negative convexity of the ROC curve emphasize that the selected variables have a high discriminatory power, which ensures that the scoring function can provide a good ordering of banks, based on their financial standing. Hence, the model manages to concentrate the vast majority of downgrading cases in the most risky classes, while the curvature of the ROC test goes near to the unit square margins; in fact, the concavity of the ROC curve is equivalent with highly informational content scores, being a decreasing function. If the model would not have had significant discriminatory power, the scores associated with CAAMPL rating downgrade events would have been randomly spread across the graph, without any concentration, so that the ROC curvature would have resembled with the main bisector. If the model would have been perfect, the scores for all rating downgrade events would have been worst than that of the least powerful non-downgrading bank.

The assessment of the stability of this performance has been done by estimating the confidence interval of the area under ROC curve indicator (AUROC), running the *bootstrap* procedure with 1000 iterations. The results show that models' ability to ex-ante discriminate between CAAMPL downgrade and non-downgrade events remains high for all those 1000 random re-samplings, the percentiles of 97,5 and 2,5 being of 87,8 percent and, respectively, 83,5 percent (Figure 3).

Forecasting CAAMPL rating downgrade events based on the estimated scoring function requires setting the decision threshold. Conceptually speaking, when the theoretical probability of rating downgrade exceeds the decision thresholds' value, the model signals that the credit institution will record a weaker rating in the future; otherwise, the model signals that the credit institution will have a rating at least as good as the current one. In this respect we used three thresholds, having in mind their relevance in supervision activity. When the thresholds' value is set so that false alarms are as costly as non-identified downgrades, the success rate is 78,6 percent, while if the thresholds' value is set so that to obtain a ratio of two type two errors for one type one error, the success rate decreases to 74,93 percent (table 2). In the case in which the thresholds' value is set so that to obtain a ratio of three type two errors for one type one error, the success rate decreases to 70,71 percent. In the first situation, the

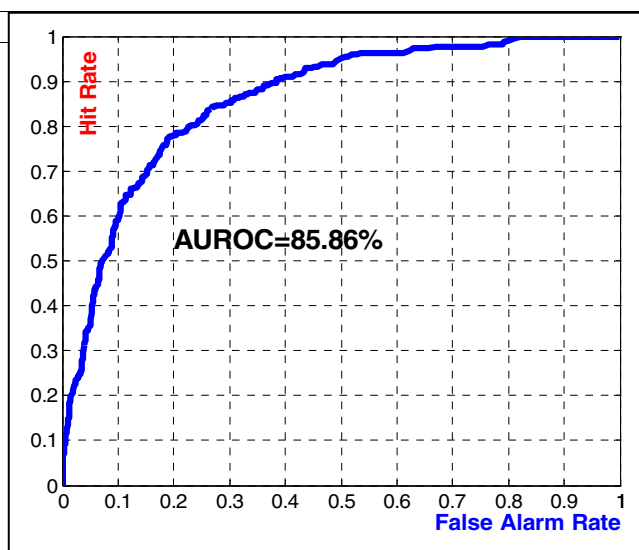


Figure 2 –ROC curve (December 1999- December 2006)

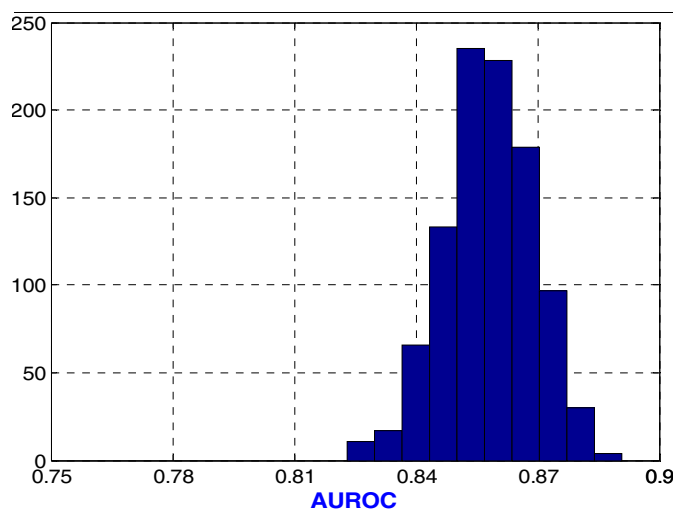


Figure 3 – AUROC histogram

decision threshold was set to 20 percent, in the second one to 15 percent, while in the third one the decision threshold was set to 10 percent.

Table 2

Early warning systems' accuracy

	E1=E2 (P=20%)			E1=E2/2 (P=15%)			E1=E2/3 (P=10%)		
	Dep = 0	Dep = 1	Total	Dep = 0	Dep = 1	Total	Dep = 0	Dep = 1	Total
Success Rate	78,63%	78,42%	78,60%	67,83%	86,64%	74,93%	67,83%	89,04%	70,71%
Prediction Errors	21,37%	21,58%	21,40%	26,91%	13,36%	25,07%	32,17%	10,96%	29,29%

The reduction of the early warning systems' overall accuracy from the first to the third case is an expected result, considering that the positive effect generated by the decreasing number of non-identified downgrades was to be outperformed by the negative effect due to increasing number of false alarms, on the background of the samples' structural disequilibrium⁽³⁾.

Results of CAAMPL rating downgrade events prediction system Running the CAAMPL rating downgrade events prediction system described above on the available micro-prudential and macroeconomic data as for 31st December 2007, 28 credit institutions were categorized as entities with low downgrade risk, while the remaining three were categorized as entities with moderate downgrade risk 3 as for 31st December 2008 (table 3). No credit institution was classified in high risk category in the prediction exercise.

Table 3

Sensitivity analysis results

Number of banks with downgrade risk:	Prediction	Depreciation (10 percent)	Depreciation (20 percent)	Depreciation (30 percent)	Unemployment (5 percent)	Unemployment (6 percent)	Unemployment (8 percent)
low	28	28	28	28	28	28	27
moderate	3	3	3	3	3	2	1
high	0	0	0	0	0	1	3

Rating downgrade probability	Prediction	Depreciation (10 percent)	Depreciation (20 percent)	Depreciation (30 percent)	Unemployment (5 percent)	Unemployment (6 percent)	Unemployment (8 percent)
Minimum value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Maximum value	14.33%	15.81%	17.42%	19.14%	16.85%	20.04%	27.71%
Standard deviation	3.87%	4.27%	4.71%	5.18%	4.55%	5.42%	7.51%
Median value	1.47%	1.64%	1.84%	2.06%	1.77%	2.18%	3.30%
Average value	2.46%	2.74%	3.04%	3.37%	2.93%	3.54%	5.12%

Quantifying the rating downgrade probability in the context of a possible exchange rate depreciation, which ranges from 10 to 30 percent, would moderately increase the risk that the credit institutions' performance to decrease, but without any change in distribution of banks among risk classes. Even in the extreme scenario (30 percent depreciation in exchange rate) the rating downgrade probability of those three credit institutions with moderate risk would not exceed the upper bound of their class (10-20 percent interval), the maximum individual value being 19.14 percent.

The situation becomes more severe in the scenario in which the unemployment rate could turn back towards the high levels of early 2000s'. In the pessimistic scenario, the financial position of three banks (B7, B16 and B18) would deteriorate well into high risk category, which comprises all banks with rating downgrade probabilities over 20 percent (Figure 4). In the same time, one of the low risk credit institutions (bank B11) would become moderate downgrade risk one.

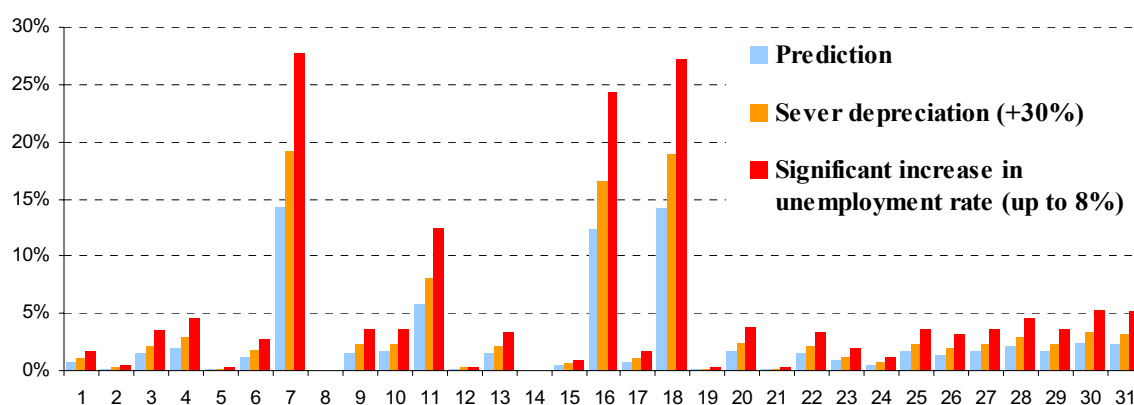


Figure 4. Sensitivity of rating downgrade probability

Nevertheless, Romanian banking sectors' stability would not be significantly affected by such events, considering that those three banks for which the weakening financial position is highly probable in the case of a severe increase in unemployment rate account for less than three percent of the total assets.

Conclusions

This paper synthetically describes a mechanism of measuring the consequences on Romanian credit institutions performance of increasing macroeconomic volatility with one year in advance. Its main component is a statistical model for CAAMPL rating downgrade probability quantification, estimated and tested using both micro-prudential data and macroeconomic variables from December 1999 to December 2007.

Statistical models' high accuracy is ensured by scoring functions' performance, in terms of discriminatory power and its estimations' stability and adequate calibration. The value of ROC curve surface indicator is high and robust, stability tests showing low deviations around 86 percent level, which represents, in fact, the corresponding value for the overall sample of observations.

Running the CAAMPL rating downgrade events prediction system described in this study on the available micro-prudential and macroeconomic data as for 31st December 2007, 28 credit institutions were categorized as entities with low downgrade risk, while the remaining three were categorized as entities with moderate downgrade risk 3 as for 31st December 2008. This performance could decrease significantly in the context of severe exchange rate depreciation or of unemployment rate increase towards the levels registered in early 2000s', but without systemic implications.

Notes

1. Bank rating systems are used mainly to prevent the phenomenon of indirect contagion, where this regards situations when, due to an incorrect perception over the existence of direct contagion effects, market operators react disproportionately in the case of solvable banks even if it was not the case to act as such. In this context, bank rating allows: on the one hand, the identification of credit institution with low financial performances as well as the probability of increasing their level, and, on the other hand, the improvement of communication between the supervision authority and market operators when a credit institution goes bankrupt. Moreover, the quantification of the probability of occurrence and the severity of a potential direct inter-bank contagion phenomenon, respectively the contagion realised exclusively on inter-bank exposures, theory and empirical research have dedicated the inter-bank contagion test as being the most adequate instrument to this purpose. (Upper, Worms, 2004, Furfine, 2003).

2. The positive sign associated with a variables' coefficient shows that an increase in that variables' value, ceteris paribus, determines an increase in rating downgrade probability, while a negative sign has a contrary influence.
3. The odds between rating downgrade events and upgrade or maintaining events is around one to seven, only 13,55 percent of the total number of observations being cases of CAAMPL rating downgrades.

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ANTI-MONEY LAUNDERING AND COUNTER-FINANCIAL CRIME NATIONAL INSTITUTIONS OVERVIEW

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Abstract. *This study aims to convey an overview of the actual status of the organizing and the functioning of international, national and European institutions involved in deterring financial crime and money laundering (MLFC) in Romania. Our study is based on the opinions of the professionals in this field about the costs and benefits of implementing Anti-Money Laundering and Counter-Financial Crimes Requirements (AML/CFCR) in Romania. In this research, we aim to ascertain the perception of how institutions involved in deterring financial crime and money laundering carry out their duties, as well as to point out the effects of AML/CFCR upon the competitive position of the financial services industry in Romania.*

JEL Classification: G29, G39, G38.

Key-words: *anti-money laundering and counter-financial crimes requirements (AML/CFCR); financial.*

Research methodology

This study was carried out between September 2007 and December 2007. We interviewed 96 professionals of the Romanian financial markets. The preferred method for conducting the interviews was cold contact via email or similar methods with the request of following a link to a questionnaire. We designed the questionnaire based on our research at the level of European and national institutions closely involved with AML/CFC as well as personal interviews with ONPCSB members. We had to take account of a very diverse set of opinions when arriving at the final set of questions.

The research followed three broad categories:

Effectiveness of AML/CFC1 institutions

We set out to examine the following areas:

- Perceptions about the intentions of AML/CFC;
- Perceptions of how effective AML/CFC institutions are at deterring and detecting money laundering and financial crimes;
- The practicality and proportionality of AML/CFC regulations.

The main problem with measuring effectiveness is definition. In order to judge how effective AML/CFC Institutions are, we need to understand what AML/CFCI are trying to achieve. AML/CFCI could have several objectives including deterring and detecting organized crime, deterring and detecting terrorists, or reducing the potential for tax evasion. This study attempts to understand how those involved in AML/CFC perceive the main objectives of AML/CFCI and how effective AML/CFCI are at achieving those objectives.

Cost/benefit analysis of complying with AML/CFC regulations

We set out to examine the following areas:

- Particular cost areas within businesses (e.g. training, record keeping, reporting);

- Particular benefits areas within businesses (e.g. increased revenue, reduced risk, reduced costs).
- Perceptions of cost/benefits relations

It is impossible to find reliable figures regarding costs and benefits of implementing AML/CFCR in Romania. This shortage of quantitative information means that it is hard to estimate the impact of implementing AML/CFCR in Romania as well as evaluating future legislation changes.

AML/CFC costs can be divided into three distinct groups within an economy, those that affect the government, those that affect the financial services industry and those that affect the general public. It is the costs that affect the financial services industry that might interest us most in this study. Tough benefits analysis followed the same line, remaining at the financial services industry level; we have to mention that organizations are unlikely to identify many benefits for themselves. Potential AML/CFCR related benefits tend to be to a country as a whole by improved reputation and improved competitive conditions rather than to individual organizations.

Effects on competitive position

We set out to examine perceptions of changes in the competitive position of the financial services sector in Romania determined by the implementation of AML/CFCR. The competitiveness of a country's financial services industry depends on a number of factors including the regulatory environment, the rigor with which the regulations are enforced, transaction costs, service levels, market size, the level of competition and cultural issues. When measuring the effect on competitiveness that AMLR has, it is important to try and isolate other competitive factors. This study relies on the respondents' ability to consider the effect AML/CFCR has on a country's competitiveness in isolation.

Results interpretation

1. Which of the following do you believe is the main intention of AML/CFCR?

1. Preventing and deterring organized crime
2. Preventing and deterring terrorism
3. Reducing the potential for tax evasion

Question1	No of responses
1	19
2	7
3	70

The opinion of the professionals in the financial sector points out the „reducing the potential for tax evasion” as the main purpose of the institutions involved in deterring Financial Crime and Money Laundering. This result is meaningful considering a similar study made by Z/Yen Limited in the summer of 2005 (Jeandle et al., 2005) that indicates a value of just 8% for the similar response, on an international sample, compared to 72.9% in our present study in Romania. International specialists point out in a percentage of 78% the „prevention and deterring of organized crime” as the main purpose of the specified institutions, whereas in our present study the similar value is just 20%. A possible explanation to this reversal of perception could be the transitory nature of the organized crime in Romania, a country without a real tradition in deterring this phenomenon, but also the specific dynamic of economic felonies which have been growing since the falling of the communist system. Another factor could be the past presence of serious financial misconduct, abuses and famous bankruptcies on the Romanian recognized financial markets, that got extended press coverage at the time. Nevertheless, the implications of these reverses should be further investigated, as the imagological features cannot be the sole indicators. “Deterring terrorism” is not one of the main purposes of the AML/CFC institutions in the opinion Romanian experts, as only 7 of them think the contrary.

2. How efficient are AML/CFCI in deterring MLFC?

1. Very inefficient
2. Inefficient
3. Neutral
4. Efficient
5. Very efficient
6. Don't know

Question_2	No of responses
1	3
2	16
3	30
4	24
5	8
6	15

The image of AML/CFC institutions in Romania is one preponderantly positive, respondents indicating that these are efficient. Nevertheless, the large number of specialist that have chosen „Don't know” [15] or the „Neutral” [30] may represent an indicator of the lack of transparency with which the before mentioned institutions conduct their activities. Such a situation is not to be desired, and should be avoided. The success of an AML/CFC strategy depends to a great extent on the reporting financial institutions. Their involvement, by transmitting a clear and repeated statement of the AML/CFCI objectives should become a priority.

3. Which of the following institutions do you consider to be most efficient at detecting and deterring MLFC?

1. Central Bank
2. O.N.P.C.S.B.
3. M.AI.
4. C.S.A.
5. C.N.V.M.
6. Financial Guard
7. Other

Question3	No of responses
1	14
2	58
3	2
4	3
5	3
6	13
7	3

No less than 58 answers, representing a percentage over 60 consider the National Office for the Prevention and Control of Money Laundering as being most effective in deterring MLFC. The next ranks are occupied, according to financial market specialists by the Central Bank and the Financial Guard. Both these institutions are ranked by approximately 14% of the respondents as top efficient. This opinion distribution doesn't surprise us, as the specialists have practically named the specified institutions according to the degree of their involvement in deterring FC and ML. The Ministry of Administration and Interns holds the last position in this top, which is consistent with the respondents' opinion on question I, stating that „Preventing and deterring organized crime” and „Preventing and deterring terrorism” are not amongst the main purposes of AML/CFCI.

4. Do you consider that the institutions deterring FC and ML:

1. Do not detect Money Laundering
2. De not deter Money Laundering
3. Do not detect Financial Crime
4. Do not stop Financial Crime
5. Do not obtain convictions
6. None of the above

Question_4	No of responses
1	5
2	36
3	5
4	12
5	23
6	15

As the distribution of the responses to question number II suggests, the image of the institutions deterring FC and ML is mainly positive amongst the financial market experts in Romania. Nevertheless, question number 4 raises a few problems linked to this hypothesis. The premise for an efficient or at least satisfactory functioning of the specified institutions seems to be invalidated by the distribution of the responses to the current question. 84,4% of the respondents consider that the institutions deterring FC and ML do

either not obtain convictions, do not detect financial crime, or do not stop these phenomena. The following considerations are drawn:

- AML/CFCI have the potential and the technical capabilities to detect financial crime and money laundering; only 10% of the respondents think these institutions do not detect these phenomena.
 - Detecting this phenomena doesn't automatically lead to stopping it- as 50% of the respondents proclaim. These institutions do now have the will or the means to stop it.
 - Even though the phenomena is detected and the institutions attempt to stop it, they cannot obtain convictions, according to the opinions of a quarter of the experts. Consequently, legislative problems or AML/CFCR implementing problems do exist. This situation is even worse than not detecting this phenomena in the first place, as it leads to unnecessary waste of resources.
5. Which of the following do you consider to be the biggest deterrent of FCML?

1. Adequate legislation
2. Functional authorized institutions
3. The high level of security of financial circuits
4. Severe punishments.

Question5	No of responses
1	30
2	22
3	18
4	26

Most criminal practice theoreticians argue that one person will commit a crime after weighing the benefits and the risks. The "cost" of the penalties must outweigh the benefits of the crime in order to prevent such phenomena to occur. The intensification of the perceived probability of being prosecuted and/or the acknowledgement of the severity of punishments do discourage FC and ML. Detering FC and ML by discouraging the criminals and offenders is surely the main objective of any implementation of AML/CFCR strategy. Promoting the development of punishment severity in an adequate legislation will, without doubt, lead to a growth of efficiency of AML/CFCR.

6. Are the measures imposed by the AML/CFCR proportional with the risk in your sector?

1. Insufficient
2. Proportional
3. Too severe
4. I don't know.

Question_6	No of responses
1	32
2	32
3	3
4	29

The results are convincing: only 3 respondents have considered that the measures are too severe. This result is meaningful, for a similar study made by Z/Yen Limited in the summer of 2005 indicated a value of 65% on the similar option, starting from an international sample, fairly larger than our 3.1 percentage. This reversal indicates a more rigorous approach to deterring FC and ML of the authorized institutions that operate on the established financial markets as well as an insufficient adaptation of the Romanian legislation to the international standards. One third of the Romanian financial market experts consider the measures of deterring FC and ML to be insufficient for the financial Romanian sector. This value is meaningful as well, comparing to the results revealed in another similar international study⁽²⁾: only 2 up to 12% of the respondents have a similar opinion, depending on the market.

7. How practical is it to implement AML/CFCR?

1. Very impractical
2. Impractical
3. Practical
4. Very practical
5. I don't know

Question_7	No of responses
1	16
2	41
3	7
4	5
5	27

A clear message this study conveys is that AML/CFCR are difficult to implement. Approximately 60% of the specialists consider it is „impractical” or „very impractical” to implement to measures dictated by the AFCMLI in Romania. The number of respondents that consider implementing AFCMLR to be „practical” or „very practical” is 5 times lower: only 12 specialists, representing a percentage of 13, have this opinion. At this point, it is not clear whether the implementing difficulties are a result of a more rigorous approach of the Romanian authorities to FC and ML phenomena, or contrary, a result of an impractical set of measures based on the common communitarian legislation. A little more than a quarter of the responses indicated an incognizance of the difficulties to implement the specified measures.

8. Which of the following generate the biggest costs for your organization?

1. Identifying the client
2. Pursuing customer's actions
3. Pursuing suspect transactions (ST)
4. Preparing and transmitting ST reports
5. Record keeping
6. Specific FCML training.

Question_8	No of responses
1	5
2	22
3	30
4	8
5	5
6	26

We attempted to identify the costs generated by AML/CFCR implementation. Research on the secondary sources, starting with documentation on the European and national institutions involved in deterring FC and ML, as well as personal interviews, especially with ONPCSB representatives, have all lead to fragmentary⁽³⁾ data, most of which don't apply to Romanian situation. The attempts to scale these results to Romanian relevant sectors of the financial market lead to frail estimations which are not to be mentioned here. As far as implementation of AML/CFCR is concerned we are able to identify some of the highest cost generating elements in organizations:

Pursuing Suspect Transactions (ST) [31.3% amongst respondents]

Specific FCML training [27.1%]

Pursuing customer's actions [22.9%]

Preparing and transmitting ST reports [8.3%]

Identifying the client [5.2%].

Bookkeeping [5.2%].

9. Which of the following generates the greatest benefit for your organization?

1. Customer identification
2. Supervising customer activities
3. Supervising suspicious transactions
4. Preparing and submitting suspicious transaction reports (STR)
5. Record keeping
6. Focused AML/CFC staff training
7. None of the above

Question_9	No of responses
1	18
2	16
3	9
4	6
5	6
6	18
7	23

Many of our survey's respondents perceive there are no benefits or only a few benefits from implementing AML/CFC measures. Almost a quarter of our responses show that the fight against money laundering and financial crime does not generate benefits for the

organizations. However, it must be stated that the positive effects of implementing AML/CFC measures are perceived much more at a national level by improving reputation and competitiveness, and less at the level of a single financial institution. The above table shows that the subjects consider “customer identification” and “focused AML/CFC staff training” as the most useful for their organizations. Comparing these results with the answers received before we find a potential critical point. A third of the Romanian financial experts consider that “supervising suspicious transactions” is the most expensive, while only 10% of them agree that this issue also generates benefits. Therefore, it seems that the new version of the “Suspicious Transactions Guide⁽⁴⁾”, which was meant to improve the capacity and efficiency of all institutions involved in tracking, investigating and prosecuting money laundering cases, is not perceived to be useful by the reporting institutions.

10. Without taking into account the costs of the AML/CFC measures how much did your organization benefit/suffer from implementing them?

1. Suffered a lot
2. Suffered
3. No effect
4. Had benefits
5. Had great benefits
6. I don't know.

Question_10	No of responses
2	4
3	17
4	30
5	3
6	42

This question was addressed to Romanian financial experts and almost half of them (44%) were not able to answer it. The costs and the benefits of implementing the strategy for preventing and fighting against money laundering are not clear for almost half of the persons meant to implement it. We may conclude that there are communication gaps which hinder the implementation of the AML/CFC strategy. We consider that the removal of these gaps will cause an increase in the effectiveness of the activities developed by the institutions involved in applying AML/CFC measures, without extending reporting requirements. By increasing the feed-back and knowledge of the benefits incurred by the implementation of AML/CFC measures among the reporting institutions, the efficiency of the competent authorities will also increase.

Question_12	No of responses
1	27
2	3
3	23
4	39
5	4

11. How was your organization affected? (If it is the case)

1. Losing customers
2. Penalties
3. Other sanctions
4. Other losses.

Question_11	No of responses
1	13
2	8
3	4
4	71

The great majority of the financial experts do not consider “losing customers”, “penalties” or “other sanctions” to be the main inconvenient of implementing AML/CFC measures. Together, these three categories, acquire for only a quarter of the responses. The remaining responses cover the costs generated by supervising suspicious transactions, focused AML/CFC staff training, supervising customer activities and a series of opportunity costs generated indirectly by the same activities. In this case, opportunity cost is understood as the situation in which an individual who operates at full capacity has to drop down some of his/her responsibilities in order to participate to the implementation of AML/CFC measures. Such costs are very difficult to assess because they depend on the productivity of the human resource of the organization. Obviously, in an efficient organization with high productivity, the opportunity costs will be higher.

12. What were the benefits for your organization? (If it is the case)

1. Customer knowledge
2. New customers

3. Decrease of credit risk
4. Decrease of frauds
5. Decrease of costs.

The benefits perceived at the organization level are, in order: “Decrease of frauds”, “Decrease of credit risk” and “Customer knowledge”. 39 of our respondents, representing 40.6% from the sample, consider “decrease of frauds” as the main benefit generated by the implementation of AML/CFC measures in their organization. The implementation of AML/CFC measures has not yet lead to higher reputation and increasing trust in the organizations, which bring about new customers. Only 3.1% of the respondents reported that they acquired new customers as a result of implementing the AML/CFC measures.

13. How did AML/CFC measures change Romania's image from the investors' point of view?

1. Much less attractive
2. Less attractive
3. Unchanged
4. More attractive
5. Much more attractive
6. I don't know.

Question_13	No of responses
1	4
2	9
3	16
4	43
5	2
6	22

The financial industry, especially banking, has to operate in an environment which is now contaminated with money laundering and other financial offences. Financial institutions are focused on reputation, uprightness and integrity. As a consequence, the financial experts who answered this question recognize the benefits of combating financial crime and money laundering, benefits acquired by the Romanian investment environment. 45% of the respondents consider that the fight against financial crime and money laundering made the Romanian economy more attractive to the investors. Less than 14% considered that the Romanian economy is less attractive because of the implementation of AML/CFC measures.

14. Which of the following are of concern in the implementations of AML/CFC measures in Romania?

1. The violation of privacy right
2. Disproportionate sanction regime
3. Law misinterpretation
4. Low quality reports
5. Deficiencies of competent authorities
6. Others.

Question_14	No of responses
1	7
2	12
3	25
4	12
5	33
6	7

We selected the answer options starting from a newspaper monitoring. These are a simplified, concentrated representations of the public agenda concerning financial crime and money laundering. Our research interest was to establish how much the individual citizen agenda (which consist of the problems in this field he/she wants to be solved) is similar to the specialists' agenda. For this purpose we monitored for a certain period the central newspapers and centralized the number of references concerning money laundering and financial crime weighted with the importance of the newspapers. Such an approach in establishing the public agenda (starting from media agenda) is considered to be representative for a society, offering a collective, socialized image of the collective conscience (Chiciudean, 2003). Thus, we succeeded in offering the financial experts, in a brief overview, the top 5 positions in the national public agenda. There is no need for a complex analysis in order to determine the similarity between the “public” and “financial experts” agenda. The issues identified through monitoring the newspapers are the same as the ones which are a constant concern for the experts. The differences between them

are minimal and consist mainly in the importance given to the issues: financial experts are less concerned by the violation of the privacy right 7.3% - representing the last position in terms of importance, while the public agenda gives to this issue the most important position.

Conclusions

Having as a starting point the opinions of 96 experts of the Romanian financial industry, this study offers the following overview of the international, European and national institutions involved in Anti-Money Laundering and Counter Financial Crimes activities:

- In Romania, the image of the institutions involved in combating and preventing financial crime and money laundering is mostly positive, the respondents considering that they are rather efficient.
- The National Office for Preventing and Combating Money Laundering, The National Bank and The Financial Authority are considered to be, in this order, the most efficient institutions.
- “Reducing the potential for tax evasion” is considered to be the main objective of the institutions involved in the fight against Financial Crime and Money Laundering.
- There are signs of lack of transparency regarding these institutions.
- The institutions involved in combating money laundering and financial crime have the potential and the ability to detect these phenomena, only 10% of the respondents considering otherwise.
- The detection of the phenomenon is not bringing it to an end – testify 50% of the respondents.
- There are legal problems concerning the implementation of the Rules for Preventing Money Laundering and Financial Crime. Competent authorities are not able to obtain convictions, consider almost a forth of the experts. This situation is even more dangerous than not detecting the phenomenon, because it leads to prodigality of resources.
- One third of the Romanian financial experts consider that the AML/CFC measures in the financial sector are insufficient.
- A clear message, sent by this study, is that AML/CFC measures are difficult to implement.
- The benefits of the implementation of AML/CFC strategy for are not clear to half of those who are supposed to implement this strategy.
- The supervision of suspicious transactions and the focused AML/CFC staff training are the most expensive for the reporting organizations.
- Many of the participants to our survey perceive that the benefits from implementing AML/CFC measures are scarce or even absent. Among them we find, ordered by their importance, “Decrease of frauds”, “Decrease of credit risk” and “Customer knowledge”.
- In what concerns money laundering and financial crime, the public agenda is similar to the financial experts’ agenda. The differences between them are minimal and consist mainly in the importance given to the issues.
- 45% of the respondents consider that the efforts for preventing and combating money laundering and financial crime led to an increased attractiveness of the Romanian economy.

There are communication gaps between the institutions involved in preventing and combating money laundering and financial crime and the reporting institutions. This situation poses difficulties to the implementation of AML/CFC measures. It is reasonable to consider that the removal of this gaps will improve the efficiency of the competent authorities even without an increase in reporting requirements.

The success of the AML/CFC strategy depends to a large extent on the reporting institutions and they should commit to the objective of implementing this strategy. Moreover, an increasing severity of the punishments, in the context of an adequate legal framework, will lead to more efficient AML/CFC measures.

Notes:

1. Anti-Money Laundering and Counter Financial Crimes
2. HM Treasury, *The Full Regulatory Impact Assessment of the Money Laundering Regulations 2003*, - Noiembrie 2003.
3. We mention here the following studies KPMG, *Global Anti-Money Laundering Survey 2004– September 2004*; PricewaterhouseCoopers, *Anti-Money Laundering Current Customer Review Cost Benefit Analysis*, May 2004.
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LEADING WOMEN ENTREPRENEURS IN ROMANIA

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Abstract. *An increasing number of women are setting up successful businesses in Romania overcoming barriers and building their credibility inside and outside their organizations.*

This paper aims to provide a more comprehensive approach on Romanian women entrepreneurs from the leadership perspective, by bringing insights on how they influence organization development. By emphasizing women's specific personal traits and their impact on leadership styles, what women actually do, how they do it, this paper contribute to a firmer understanding of the qualities that contribute to successful leadership in women growth-oriented firms.

JEL classification: B54

Key-words: leadership, entrepreneurship; women entrepreneurs; leadership style.

Introduction

Women Entrepreneurship tends to play a major role in the entrepreneurial revolution providing an important contribution to the development of the world's economy. Women entrepreneurs are important players on the market with special and great potential. Their contribution to jobs creation, hope and opportunities is undeniable.

Women-owned business is one of the fastest growing segments of the entrepreneurship phenomenon. Female entrepreneurs are increasing their presence in all economic sectors.

The number of women entering into the work force is rapidly increasing worldwide and so is the number of those reaching leading positions in their own companies or in others.

That helps women to achieve greater incomes and gives them access to the resources, ideas, and social capital that enable entrepreneurial activity.

This evolution raises the question on what women leadership styles are. In the attempt to offer some answers this paper provides a short overview of women entrepreneurship's dynamic as a starting point to characterize women's leadership main features. A profile of the successful leading Romanian woman entrepreneur is developed despite the scarcity of information on this topic.

Women entrepreneurship a proven potential

The growth rate in number of women owned firms is higher than the same rate for men in more and more countries. Women entrepreneurs create and run businesses across all of the broad industrial sectors of extraction, transformation, business services, and consumer-oriented products, as do men. Still, more women engage in consumer-oriented ventures whereas men dominate the manufacturing transformation sectors. Valuable and up to date information concerning women entrepreneurship dynamic is provided yearly by the Global Entrepreneurship Monitor (G.E.M.). According to the G.E.M. 2007 Report on Women and Entrepreneurship⁽¹⁾, the fourth in a series of reports undertaken to provide a comprehensive study of the role played by women involved in entrepreneurial activity across the world

economy, indicates that “the returns to the investment in women are much higher than for men”. Women are more likely to share their gains in education, health, and resources with members of their families and their communities at large. Research on microfinance indicates that the same is true for economic investments. Women are simply more likely to work for, buy for, and share their economic and non-economic rewards with other people. To put it more explicitly in economic terms, investment in women’s entrepreneurship is an important way for countries to exponentially increase the impact of new venture creation.

GEM’s 2007 Report, prepared by scholars at the Centre for Women’s Leadership gives a clear indication that while women entrepreneurs often exhibit patterns of behaviour similar to those of men, a gender gap nonetheless exists for entrepreneurial activity across the globe.

Female entrepreneurship can be considered a very broad and recent field of study, where several theories can be linked to the study of this phenomenon, such as gender theories, managerial theories, public policy, etc. that is probably the reasons why most of research in the area are empirical. It is an under-researched topic from many points of view.

Several researches focus on the economic value that of women, as business leaders. This paper focuses on the context and influence of women as organizational leaders and the ways in which organizations are transforming themselves to most effectively tap the diversity of managerial talent.

Approaches on women entrepreneurs’ profile

Gender is a personal variable the effects of which are highly disputed (Welsh, Drăgușin, 2006, p. 61). Although the characteristics of both male and female entrepreneurs are considered generally similar, female entrepreneurs differ in terms of motivation, business skills and occupational backgrounds. Many researches in the field of female entrepreneurship have focused on personal characteristics, such as motivation, experience and the features of their businesses, such as firm size and sector.

Women are usually motivated by the need of independence and the need for achievement arising from job frustration (Hisrich, Peters, 2002, pp. 75-77). In contrast, men tend to be driven by the desire to be in control, to make things happen.

In terms of personality a businesswomen can fit, just like men, to a successful profile proving: high energy, courage, discipline, goal orientation, enthusiasm, innovation, persistence, passion, vision, client focus and wish to work hard. However, in contrast to men, women tend to be more flexible, balanced and tolerant, more realistic.

Some researches outlined (Sonfield, Lussier, 2004) that women are usually more prudent, less confident, less aggressive, easier to persuade and have inferior leadership and problem solving abilities when making decisions under risk. Also women have been described to be more dependent and have a greater concern for others. Recent studies showed stronger ethical tendencies in females. A study by Dawson (1995) found that females were less likely to break promises, more likely to disclose positive information about competitor’s products, less likely to take advantage of confidential information, and less likely to provide gifts to get orders.

Factors in the start-up process of a business for male and female entrepreneurs are also different. *Women’s decision to become self-employed is complex*. Women are more likely than men to shoulder family-related obligations. Women, especially those with young children, are more likely than men to mention flexibility of schedule and family related reasons for becoming self-employed (Boden, 1999, p. 71-84). Men’s reasons show little association with their parental status. Departure points and reasons for starting a business are similar for both women and men. Both have generally a strong interest in the area of their venture but men have usually more practical experience. Men more often have education and experience in manufacturing, finance or technical areas in contrast to women that usually have education mainly in liberal arts and administrative experience, at the middle management level, often in service related areas.

Women are more likely to represent smaller than larger businesses. Although the growth in the number of women-owned businesses is encouraging, the size of such businesses remain small in terms of both revenues and number of employees, especially in comparison to male owned businesses. As outlined already, female business ownership is concentrated primarily in the retail and service industries where businesses are relatively smaller in terms of employment and revenue as opposed to high technology, construction and manufacturing. Also, research concerning growth aspirations revealed that there are gender differences. Nearly half of the husband/wife partnership in a study (Baine, Wheelock, 1998, pp. 16-35) had low growth aspirations. Owner with business partners other than a spouse were more likely to be growth enthusiasts. Another study ⁽²⁾ aiming to reveal the gender's impact on business retention or survival rates was conducted on a sample restricted to sole proprietorship in retail and service industries. Results revealed that survival rates were affected by owner experience for both, male and female –owned businesses, but was higher by 6% for men. Gender differences in the status of wage workers impacted negatively on the survival of female-owned businesses due to lower average wage earning and lack of previous managerial experience. Recent findings suggest that younger firms are more likely to experience fast growth ⁽³⁾. The owners of younger firms tend to be more highly educated than women business owners of previous generations.

As contextual complement to human capital, social capital is recognized as a crucial to success variable. Researchers found that social and business relationships provided information and resources benefits that shaped expectations for the new venture and venture financing. The impact of social capital was important not only at the earliest stages of the venturing but also as it carried through to exit strategy. Support groups also provide a point of gender contrast. Women list their spouses' first, close friends second, and business associates third. For men the most important supporters are outside advisors (lawyers, accountants), with their spouse being the second. Moreover, women usually rely heavily on a variety of sources for support and information, such as trade associations and women's groups, whereas men are not so likely to have as many outside supporters.

The exploratory research of C.G. Brush (Brush, 1997, pp. 1-24) revealed as the most prominent obstacles for women entrepreneurs: not being taken seriously; child and dependant care; growth and expansion capital; entrepreneurial education and training. For women entrepreneur establishing a venture, previous experience in the field of the venture, financial skills, strength in dealing with people and idea generation combined with market opportunity, motivation were keys to survival.

Leadership – a dimension of successful women entrepreneurs

The need to stimulating innovation and women entrepreneurship is an open window for passionate leaders ⁽⁴⁾. Earlier thinking on this topic, usually perceived leading women, as being mainly imitators of business men characteristics', like toughness and aggressiveness. It was even common two decades ago for business women to dress more like men in an effort to emulate the masculine model of leadership. Much of the contemporary thought, however, conceptualizes a feminine style of leadership that is uniquely different from its male counterpart. Some theorists ⁽⁵⁾, suggest certain feminine characteristics give the woman leader an advantage. Characteristics described as essentially feminine are: heightened communication skills (i.e., especially the ability to be a good listener and to be empathetic); advanced intermediary skills (i.e., for negotiating and conflict resolution); well-developed interpersonal skills; and a "soft" approach to handling people, among others. Other features like nurturance, gentleness, and empathy are also considered as being stereotypically feminine⁽⁶⁾. Some theorists also attribute to women leaders the unique ability to easily create a strong esprit de corps. Thus, these same theorists assert that women are ideally suited to the non- bureaucratic, employee-involved organizations where teamwork and a free flow of information are paramount.

Other studies suggest that women leaders possess a greater capability to prioritize than their male counterparts. Proponents of the women do lead differently theory postulate that women inherently possess or develop certain traits that diverge sharply from male leadership characteristics. A theory was developed (Johnson, 1976, pp. 99-110) that women are stereotypically perceived as operating from personal, helplessness, and indirect power bases, while men are viewed as using "strong aggressive types of power". The opposing argument, even though a significantly smaller voice than the previous position, *perceives little or no gender differences in leadership styles*. In this perspective, any disparities among male and female leaders are usually attributed to home and family responsibilities, rather than gender differences.

An other position on this issue dismisses the difference in leadership-style debate as being inconsequential. What is important, from this perspective, is the end result. It does not make any difference how one lead as long as the leadership style is an effective one.

Special attention should be paid to the most recent studies that explore a genetic basis for special attributes of women in social ability and empathy, which could imply a better performance of companies created and run by women because of a better communication with their employees, suppliers and customers.

Some studies⁽⁷⁾ yielded a positive correlation with female leadership and profitability which represents an interesting and important finding for both the research and business communities. Female leadership might be more broadly connected to the cultural diversity and multidimensionality of a business. Female leadership may be connected to previous good company governance and management practices.

A liberal feminist perspective, in fact, argues that gender differences are a direct result of the different positioning of men and women in the social structure. A social, or, cultural feminist perspective, on the other hand, argues that gender differences arise because men and women experience life in fundamentally different ways and, as a consequence, develop fundamentally different dispositions and approaches to the market place⁽⁸⁾.

However, even in countries with similar levels of development, the distribution of individuals across the structure can vary considerably by country. As sociologists see it, all individuals in a given population are, in fact, distributed into various positions across a social structure according to a socially defined division of labor and distribution of rewards. Furthermore, in all countries, there are distinct gender patterns to this distribution of individuals that result in differential outcomes in terms of market behaviors such as entrepreneurship or business startup. Women and men, in fact, find themselves in distinctly different positions with different levels and types of preparation for the marketplace.

Leadership styles of romanian women entrepreneurs

In Romania women entrepreneurship tend to become a force in the economic development. Women's weight in the total population amounts to 51, 2% and their presence in the total active population represents 47.6%. As a consequence, women represent a readily available pool of potential entrepreneurs that each Romanian region can leverage to improve its economy. A recent inquiry of the Statistic National Institute outlines women presence in the small business sector: almost 38% of the total active small and medium sized enterprises were lead by women entrepreneurs in 2006. Unfortunately women businesses' dynamic is not closely monitored in Romania. There is scarce information available on Romanian women entrepreneurs' evolution.

Men and women have, at least theoretically, equal opportunities to start their own businesses. The common perception that women start primarily small hobby-related businesses that are less likely to grow is contradicted by substantial evidence showing that women own firms in all industrial sectors and that many succeeded in developing them in size and scope. In fact their expansion into non-traditional industries will continue.

In a country with rather low entrepreneurial culture the concept of leading women entrepreneurs is in its development stage. Although their visibility in the media is increasing is still at a very low level. One of the main contributions is the Ringier Media Group initiative to publish each year the 100 Top of Successful Women. The fourth edition (2008) comprises 1/3 of successful women entrepreneurs in diverse fields: trade, industry, tourism, advertising, IT and communication, real estate etc. These women consider their business ownership in terms of a career rather than just a supplemental family income and have made in-roads into the traditional male-dominated industries. Female entrepreneurs consider their career development within organization as a valuable experience for own business. Their former organizations usually served as a training ground or incubator to acquire expertise in management, marketing, finance and new technology.

According to a qualitative research conducted by Synovate⁽⁹⁾ some specific characteristics emerged. Romanian women entrepreneurs successfully combine power and womanhood. Having in general a prudent attitude they are adaptable and flexible. Women owning businesses are usually creative, intuitive, are well organised and punctual. In the same time they are attractive, warm and friendly, have charisma and preoccupation for own image. They exhibit ambition, enthusiasm and passion in their work. Romanian female entrepreneurs are affectively involved in their businesses and serious. More prudent than men they pay higher attention to details.

A critical discourse analysis of successful Romanian female entrepreneurs (released from the 100 Top of Successful Women revealed high frequency in their speeches of words like: hard work; integrity; openness to change; professional attitude; balance career and family; innovation and courage; generosity. Soft skills like high communication abilities, empathy and creativity have been also mentioned.

Conclusions

Finding ways to empower women's participation and success in entrepreneurship is critical for Romania's more sustainable and successful economic development.

This paper underlines leadership characteristics of female entrepreneurs in general and in particular in Romania in order to contribute to a better understanding of their high potential. Along with other studies it can provide policy insights useful to developing and enhancing women's entrepreneurial spirit that can lead to a real progress in our economy.

Notes:

1. <http://www3.babson.edu/CWL/research/upload/GEMWomen07.pdf> - The GEM data set for the Women's Report in 2007 includes responses from 145,248 individuals in 41 countries (including Romania), 49.9 % of whom were women.
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7. GEM 2007 Report: A. Kotiranta, A. Kovalainen, P. Rouvinen - "Why Does Female Leadership in Finland Seem to Contribute to a Company's Bottom Line?"; p.18
8. GEM 2007 Report: Amanda Elam – "Social Position, Perceptions, and Business Creation"; p. 39
9. www.synovate.com

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INTERNATIONAL FAIRS AS TOOLS FOR PROMOTING INTERNATIONAL BUSINESS

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Abstract. *Within the framework of international business relations, international fairs are among the most complex, expensive and effective ways of prospecting external markets. Overcoming intercultural barriers, international fairs entail a rigorous handling of resources and tools aimed at reaching a considerable amount of objectives, by far superior to any other means of prospecting available to a businessperson.*

From this viewpoint, not only do international fairs facilitate the direct interaction between companies, clients and competitors, but they also provide an accurate overview of the business environment, as well as general guidelines regarding its evolution in the medium and long term. It is no coincidence that international fairs are often chosen as the places for launching new trends and displaying the newest and most provocative innovations. As international business ties grow tighter, the importance of international fairs is also increasing, reaching the point where fairs not only bring together countries, but entire continents.

On the backdrop of globalization as a process and of ever deepening ties between developed and emerging countries, the paper sets out to highlight the role of international fairs as modern and innovative ways of maintaining effective communication channels between business people. Accordingly, the milestones of a successful participation strategy for small and medium-sized companies will be analyzed and explicitly illustrated, from the preliminary concept and general objectives up to post-participation requisites.

JEL Classification: E0, F01, L1

Key-words: international faires; marketing; leadership; globalization.

Modern means of prospecting external markets

International fairs (Popa, 2002) are markets organized in the same place and for determined periods of time, carrying out a promotional purpose, as well as the purpose of facilitating contacts between business partners with the aim of negotiating and closing contracts.

International fairs are increasingly seen not only as an effective component of the promotional policy of a company on the international scale, but also as a vital means of communicating and updating corporate information. Moreover, international fairs are important pillars in the distribution policy of a company, as they are the best places where market phenomena as well as market evolution can be scrutinized.

Unlike an advertising campaign, a tender or a catalogue which are all abstract elements of a company's promotional activities, the international fairs place the product in the limelight and therefore, strongly tied, the idea of interface and dialogue between different companies operating on the same market.

Consequently, among the many advantages of participating in a specialized international fair, maintaining relations with traditional clients, updating and intensifying the relations with them are some of the key features. Furthermore, the participation itself is a perfect pretext for carrying out a market research and testing the acceptance of a new or innovative product among visitors.

In accordance with the pursued goal, participating in international fairs is an endeavor which must be closely linked to other marketing and business instruments. Hence, if the main objective of the company is maintaining contact with permanent clients, meetings must be organized in order to achieve a proper exposure to them. If attracting new clients is one of the aims of participating in international fairs, organizing an intense advertising campaign a few weeks before the beginning of the fair is the best approach.

Taking into account the generous offer of international events that take place worldwide each year, as well as the ever-deepening competition between companies, the decision of participating in an international fair must be thoroughly analyzed and grounded on realistic aims, in order to ensure the accomplishment of the targets that have been set. More than ever, in the century of globalization and worldwide competition, a successful participation in an international fair represents a challenge for any company, as it can endorse its strong points or, quite the opposite, it can highlight its utmost weaknesses and vulnerabilities.

Objectives of the participation in international fairs

Objectives of exhibitors

Before taking the decision of participating in an international fair, a company should assess its position and clearly set out the goals it aims to reach. In the absence of such a prior analysis, the communication purposes, the pricing conditions and the negotiation terms are ineffective, as they are not in accordance with the real needs of the company.

Ideally, the objectives of a company participating in a fair should be correlated with its strategy on the medium run, with each marketing purpose having one or more subordinate objectives that must be met by the actual participation. Figure 1 illustrates the phases in the decision-making before participating in an international fair.

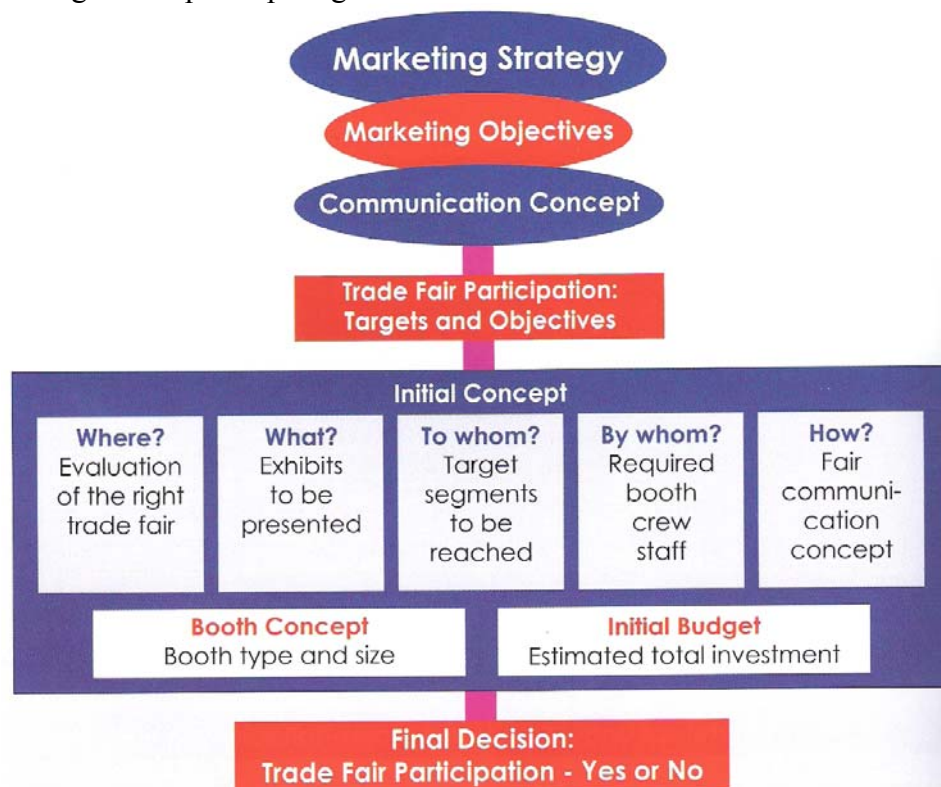


Figure A. The planning phases and decision making for participation in fairs;source: Stern, M. - From (2001)

Nevertheless, one of the greatest assets of international fairs resides in the fact that they grant the participating companies the chance of meeting not only one, but several marketing objectives at the same time. Therefore, even if the main purpose of the company is distribution-related, by participating in an international fair the company can meet its primary

goal and also work on its Public Relations or carry out an analysis of the competitors and their products. From this point of view, especially for a company offering new products, fairs are a real opportunity for both promoting them on the market and establishing personal contacts with possible clients.

International fairs are by far the places where most possibilities present themselves to an exhibitor, from closing contracts to improving brand recognition. This is the main reason that renders the assessment of company objectives such an important task for the exhibitor, as it is the primary objectives that the entire strategy must revolve around and therefore, their accurate judgment is mandatory for a successful participation.

This process of crystallizing the objectives of the company is usually undertaken at the top level management, being masterminded by the same people who set the general lines for the company's evolution on the medium and long run. The objectives of the participation (Wittgenstein, 2001, p. 91) can be classified into *general participation* purposes, *communication-related* purposes, *price-related* purposes, *distribution-related* and respectively *product-related* purposes.

The main general purposes for the participation in international fairs are: discovering new markets or new market niches; evaluating the company's competitiveness in comparison to other companies; finding new distributors or commissioning agents; inquiring about exporting possibilities; launching new product lines; establishing new links and means of collaboration with other market players; assessing the general trends of the field on the short and medium term; showing the flag against existing or potential competitors; combining the participation with related activities – business visits or conferences; meeting existent and potential customers and increasing company sales by closing new contracts.

The main communication-related purposes of the company are: establishing personal contacts with possible business partners; augmenting the brand recognition and improving the company image; increasing the efficiency of advertising on clients and general public; maintaining relations with the media; engaging in direct discussions regarding client requirements, exigencies or grievances and maintaining business relations with existing partners.

Regarding the main price-related purposes, the most relevant are the following: knowing the price fluctuation limits and making comparisons with the prices of competitors. Furthermore, in the case of distribution, the key points reside in building and developing the distribution chain, as well as looking for new distributors or commissioning agents.

Lastly, the product-related and lifecycle-related purposes entail evaluating the degree of acceptance of the product on the market; presenting new product prototypes or innovations; testing the impact of the product on the market or developing a new range of products. Especially for research-oriented industries, characterized by a high frequency of innovations, fairs are the most convenient option, with the highest impact for market testing and for evaluating the products of other competitors.

Objectives of the professional visitors

From the viewpoint of a company participating as an exhibitor in an international fair, setting its objectives and devising a coherent strategy for reaching them should also take into consideration the understanding of the objectives of the professional visitors that participate in the fair. Tactically speaking, the objectives of the exhibitors must be visitor-oriented, which entails a brief analysis of the motivations and objectives of the visitors.

According to Wittgenstein, the most important objectives of a professional visitor in an international fair are mainly related to acquiring an overview of the market of interest and of other related markets; assessing the economic context and possible favorable perspectives of development; analyzing pricing conditions on the market; identifying new products or new usages for existing ones; identifying the growth trends of the sector on the medium term; initiating relations with similar companies and identifying the main actors on the market;

evaluating the technical possibilities of some categories of products and their efficacy; participating in conferences and paying business visits to partners; placing orders and closing contracts; obtaining information for grounding the decision of a future participation as an exhibitor.

The evaluation of every element highly depends on the type of fair, as for example, in the case of commodity goods such as toys, fashion, accessories, the emphasis falls on the order itself, as the majority of visitors aim at ordering merchandise for the next season. For this kind of fair, decisions are taken swiftly, without further consultations with the top management, as visitors have a clear mandate to follow.

However, in the case of international fairs for goods requiring larger investments, their relative complexity entails a longer period for negotiation and analysis. As the actual acquisition must be preceded by a range of technical issues that are to be met and by requirements and conditions, several company representatives must participate in the decision-making. All these discussions take place after the fair and, in case of consensus; the respective contract is considered to have been intermediated at the fair.

Criteria for selecting international fairs

Typology of international fairs

Before taking the decision of participating in an international fair and before any selection criteria come into place, a review of the types (Wittgenstein, 2001, p.23) of international fairs according to the field/sector, importance and geographical area is needed.

According to the first criterion, of the field or sector covered, international fairs can be classified in universal fairs, multiple-field fairs, specialized fairs and respectively congress-fairs.

The notion of universal fair has presently lost its meaning almost entirely, being mostly maintained at the theoretical level. In practice, international fairs are clearly delimited, with defined fields and sectors of activity. Nevertheless, a less-specialized type of fair still persists, respectively the multiple-field fair, presenting the concentrated offer of several industrial fields in one place. Generally, this type of fair is focused on related areas of expertise but its spread is very limited.

The predominant type of fair in our times on an international level is the specialized fair, with a clearly formulated programme, with a catalogue comprising all types of goods that can be exhibited and without any possibility of departure from the set of rules established by the organization-staff. In the case of the congress-fair, this kind of event is usually organized as a subsequent activity for congresses that reunite specialists of a certain field and it is usually of a narrower spread.

According to the second criterion, of the geographical area and, implicitly, of the importance of the event, the fairs can be classified in national, regional and international fairs. The difference between the three categories resides in the covered market spectrum. Compared to the broad spectrum of international fairs, the national fairs and exhibitions usually attract visitors from different regions of the same country and have, just like the regional ones, a lesser influence on the overall market and a smaller number of visitors, in most cases strictly from the region in which the event is taking place.

The multifunctional feature of fairs is obvious but the roles fairs play in the economic context do not have the same overall importance. Thus, according to the emphasis on certain aspects, there are contracting-fairs, used for exhibiting commodity-goods and respectively investment-fairs, aiming at the more technologically complex and expensive goods.

Criteria for selecting international fairs

The participation in an international fair is an action of worldwide promotion of the company which can prove highly beneficial for its image and position on the market.

Nevertheless, it is usually a costly activity, expensive not only because of the technical requirements but also because of the necessary human resources involved in the process, because of the planning expenses as well as the maintaining and cultivating the established contacts in the post-participation phase.

For this reason, the selection from the multitude of fairs of the most relevant for the participating company is an action to be done wisely and bearing in mind several selection criteria (Sletten, 1994, p. 143).

The *first criterion* used in the selection of an international fair is its relevance for the company and for the respective market that the company's products are targeting. All known fairs must be taken into consideration, especially those with a tradition and a high reputation in the field. Nevertheless, the smaller specialized events, with interesting networking possibilities within the region must be taken into consideration just as well.

The *second criterion* of selection is represented by the visitor structure, respectively potential or already-existing clients, distributors or potential distributors of the company, media-personalities (journalists, scientists, experts and people with political influence) or competitors.

Thirdly, the importance of the fair for the specific field of action of the company must be thoroughly analyzed from the following viewpoints: the relevance of the fair at the national and international level; its acknowledgement as a renowned event; its media-coverage; the past participation of the main competitors or their intentions of participating in the future, as well as the overall importance of the event for the company's clients.

The *fourth criterion* is directly connected to the company's position and importance in its sector, in order to realistically assess its competitiveness and its chances of getting the attention of visitors in an international fair. The attractiveness of the range of product exhibited must also be taken into consideration, as well as the existence of innovations or special products which can be put on the market as novelties and the compatibility of the company with the present tendencies of the market and the economic context.

The *fifth criterion*, extremely relevant for the selection is the economic efficiency of the participation, analyzed through the possibility of closing contracts, establishing a relation with certain distributors and, overall, through the balance between expenses and expected profits. Thus, a comparison between the efforts triggered by the participation in the fair and by ensuring a good presentation of the company and respectively the clear results expected as a consequence of the participation.

Also, the decision of participating in an international fair must be fully harmonized with the company's marketing strategy on the long term, taking into account the impact on all the elements of the marketing mix. From the same marketing perspective, costs must be analyzed and compared to other less expensive marketing instruments that would serve the same purposes.

Moreover, the financial means and the existence of the appropriate human resources specialized in this type of event are crucial in making the decision, as their absence could lead to an under-representation of the company that could prove profoundly negative to its overall image.

Subsequent to the above-mentioned criteria, the *sixth* and last selection criterion relates to the general objectives of international fairs, nonetheless imposing an analysis at company-level of the purposes and expectations involved in the process. Clear purposes that have to be reached by the participation must be crystallized in advance, such as: establishing contacts with agents, distributors or suppliers; attracting new clients; finding new markets for one's products or testing their potential; launching a new range of products or consolidating the company's position towards its main competitors.

The decision of participating in a fair can prove even more difficult because of the tendency of the organization-staff of promoting the event by exaggerating its importance at international level or by publishing details regarding the number of previous exhibitors and visitors that are not entirely real. For this reason, catalogues of participating companies from

past years must always be consulted, as they provide the clearest and most correct image on both the importance of the event and on the annual structure of participants.

Also, in some cases a *special criterion* (Stern, 2001, p. 78), less mentioned in theory but extremely used in practice is the analysis of the exhibition space. The bigger the exhibition space occupied in past years by the main competitors of the company, the higher the importance of the event for the given sector and, hence, for the participating company itself. This is mostly relevant for companies operating in oligopoly-markets, where the interdependence between economic agents is the highest.

International fairs in progress

Planning the participation in an international fair

Organization-wise, the participation in an international fair entails three crucial phases: the *planning* of the participation; the actual *functioning* of the stand booth and respectively the *post-participation* activities.

In the phase of *planning*, the deadlines for the different activities are set chronologically, with an assessment of the necessary time for completing them and taking into account all the steps involved, including the deadline for building the stand booth and respectively for dismantling it.

The time in the planning phase is organized according to the field of activity and with an emphasis on the most time-consuming activities (choosing the exhibits, designing the stand booth), with the other activities subordinated to the first, as they allow more flexibility and adaptability.

An important step is represented by the decision regarding the type of participation. The *individual* one (with the company's own stand booth) is the most successful, but one cannot overshadow the other types of participation that would allow the less experienced to avoid a series of difficulties. Thereby, the employers' federations or institutions such as chambers of commerce and industry often organize participations under the same stand-booth of several exhibitors, in order to obtain a group-representation of a country.

A formula of this kind would allow the accumulation of experience, with considerably lower costs and risks than in the case of an individual participation. This is also the case of Romania, where the employers' federations and respectively the Chamber of Commerce and Industry encourage the exporters in their activity of prospecting by subsidies for participation in international fairs (by taking more companies under the same professional-umbrella).

Furthermore, there are also rare cases of participation under the auspices of a stand booth of another "friend-company" in the same field, a useful and non-costly alternative for an inexperienced company, with the condition that the products would correspond to the classification-list. In situations of this kind, the accepted company is also mentioned in the catalogue of the fair.

The corporate responsibility towards the environment

As protecting the environment is increasingly becoming one of the main concerns of our times, there are environment-related measures imposed on the exhibitors in international fairs, taking into account that this kind of events usually result in big quantities of waste/junk in a short period of time.

The issues raised by this kind of waste are part of the environment management and they entail the concerted action of both the exhibitors and the organization-staff. This naturally implies a well-planned strategy and the planning of measures to be applied to the expected waste/junk.

Hence, at the beginning and at the end of international fairs, the most important planning section is the one regarding waste-elimination (Wehrle, 2003), as well as the sorting of reusable materials. More and more institutions that organize international fairs are imposing the costs of waste elimination on the companies producing the waste. Therefore,

reducing the waste as much as possible has become an essential economic factor, as a larger quantity of waste entails higher elimination costs. For example, for international fairs taking place in Germany, the motto of the participation from the viewpoint of environment-friendliness is "Avoidance-Reduction-Recycling"

From the perspective of the exhibitor, for an environment-friendly participation in an international fair, the following aspects must be observed: checking the impact of the company's decision making on the environment; checking the possibilities of reducing the quantity of waste; gathering information on the environment norms of the fair; using recyclable and reusable products; reusing the transport wrapping; minimizing special waste and avoiding the pollution and the dusting in constructing and dismantling the stand booth.

Therefore, among the many advantages in the environment-friendly procedures, one could mention the fact that environment friendliness becomes an intrinsic part of the product itself and it can echo positive reactions from the visitors' side. Also, the rational planning of materials can lead to saving important resources and minimizing waste, which also entails lower costs for the exhibitors.

Post-participation activities

Although they represent the final target of the participation in international fairs, the post-participation activities are usually reckoned by scholars (Wittgenstein, 2001) to be the so-called "step child" of the whole participation-planning. The reason of this comparison is the fact that usually, valuable contacts of the participating company are cultivated too late or in some cases are never cultivated, overlooking the fact that meeting in an international fair is merely the first step for a successful collaboration. Especially in certain fields, a large number of ulterior negotiations and approaches are necessary until a clear-cut business relationship is established.

By ignoring this fact, most companies find it impossible to fully reach the objectives initially set and for this reason, there are safety measures to be taken in advance. More precisely, it is of utter importance to set beforehand the type of measures to be undertaken for the consolidation of business contacts established at the fair.

The base of the post-participation activities and of the efficiency-control is represented by the systematic dissemination of the forms comprising information on established contacts. In the absence of notes and reports of discussions, it is almost impossible for any exhibitor to know exactly the number of visitors and their qualifications. The examination of results at company-level is also bolstered by the centralized surveys carried out by the international fair staff, based on their own research and on the forms filled out by visitors.

In the process of evaluating the established contacts, one must consider the initially-stated objectives of the company, on the base of which the potential clients will be analyzed and the reaching of the initial objectives will be evaluated. The result of these assessments can lead to the acknowledgement of a need of improvement in the overall activity for the next participation or the mere reconsideration of the objectives themselves.

Moreover, making comparisons with results obtained in similar international fairs or with official data from the international fair staff can prove useful, especially in appreciating if the participation was a success or not. The assessment must be made in comparison to the previous results of the company and to the results of other participants (if that kind of information is available).

Having the evaluation of established contacts as an anchor point, the next step for the post-participation activities is represented by a series of subsequent phases, different for each group of visitors, including those who received invitations but failed to present themselves at the fair. Thereby, taking into account the importance for the public of the way a company presents itself, the best ways of consolidating (Bly the, 1997, p. 37) business contacts should be analyzed in regard to four types of visitors: clients who answered the invitations; clients and interested people who received the invitations but did not show up for the fair; journalists present at the fair and respectively relevant journalists who didn't participate in the fair.

For clients who answered the invitation, the most polite gesture would be the sending of a short thanking note, along with materials and offers promised throughout the discussions at the fair. It can also be useful to summarize the main aspects discussed at the fair, along with a proposal for setting a new meeting. On the other hand, for the clients who failed to show up, the complete information on the innovations and novelties of the fair should be sent, followed by phone or written contact.

For the journalists who attended the event, a thank-you note for the visit is mandatory and for the present media a final report on the activity developed at the fair, with photographs is extremely advisable; to the journalists who were not present at the fair, the full press-folder should be sent, along with a final report on the overall fair activity. The last part of the post-participation activity is the most important at company-level, as it consists in evaluating the effectiveness of the participation in its entirety (Dujivendobe, 2004, p. 29).

Thereby, the effectiveness-control resides in multiple aspects, such as: calculating all the participation-related expenses; documenting about the contracts, contacts and gathered information; assessing visitor information; comparing the structure of visitors with the target groups initially set or with previous participations as well as analyzing the survey carried out by the organization staff among the exhibitors.

Moreover, relevant for this phase of the participation is the analysis of the economic context within the respective field or sector; the assessment of the position, size and endowment of the stand booth; the qualification and the skills of the stand booth crew members; the evaluation of the impact on the media, as well as the evaluation of the effects of one's own advertising actions – comparing the number of invitations with the number of visitors who showed up or assessing the number of visitors drawn by the commercials, banners or catalogues.

The effectiveness-control is also the ground for the decision of participating at the fair again and it leaves out eventual organization-flaws by the clear-cut assessment of all the above-mentioned aspects. Also, an evaluation should be made of elements who proved useless or with too small of an impact and that can be avoided in the future, leading to the cutting of some expenses.

The comparison between expenses and results should be made on the medium run, as its purpose resides in the rational grounding of the decision of a new participation in the future. The success of the participation very much depends on the measure to which expenses are balanced by the utility of the participation. Moreover, the number of visitors compared to the number of serious business contacts established on the long run can furnish valuable information, especially if compared to similar events. In general, the number of established contacts should be in a fairly equal relation with the number of sent invitations and also proportionate to the total number of participants in the respective fair.

Conclusions

Taking into account the process of globalization and the ever deepening interdependences between world economies and consequently between business people, participating in international fairs, both as visitor and exhibitor, has become a necessity for any 21st century company interested in its worldwide awareness, as fairs are officially known as the places where the most successful businesspeople gather and where their greatest innovations are first introduced to the rest of the world.

Especially on the backdrop of the flourishing means of indirect communication, such as high-speed internet connections that can ensure live conferences between people from opposite sides of the world or mobile phones through which one can keep contact with business partners from different countries or continents, international fairs set themselves out as a distinct and meaningful mix of traditional and modern communication at the same time.

In a century dominated by long-distance business relationship and by indirect contact, international fairs, whether they are organized at a regional level or they are full-fledged

international events bringing together the best world experts in a certain field, are the one marketing and prospecting tool that has kept its strong human component. Meeting in international fairs provides business people with the valuable opportunity of getting reacquainted to old business partners, establishing contacts with new ones but it especially provides the chance of building confidence and trust between partners in a traditional and essentially human way.

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FUELIN THE DRAGON SINO – AFRICAN RELATIONS: RISKS AND OPPORTUNITIES

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Abstract. *Seeking for new energy resources, the biggest oil consumers are looking for new sources. This paper tries to reflect the reasons that motivated China, the second oil consumer and the fastest growing economy in the world, to adapt its energy strategy in order to secure its oil supplies, and which are the main trends of the Sino-African relations related to competition for energy resources. The conclusions of the paper identify both risks and opportunities that derive from these relations. A descriptive study will be offered in order to demonstrate that China's energy strategy has major implication at international level.*

JEL Classification: F59, H70, F00.

Key-words: international relations; industrialization; urbanization; China.

China energy production and consumption trends

China's economy has been surging dramatically in the past thirty years, making the country a significant world power. The Chinese economy has enjoyed a growth rate of 9.8% per annum since 1980. Growth has accelerated in recent years, reaching over 11% in 2006. As a result, China has moved from 3% of world GDP in 1980 to 15% today. This evolution makes us remember what Napoleon once said – China is “a sleeping giant who is awakening and who is going to shake the world”.

China can be considered a country in “energy transition”. It attempts to jump from a status of user of low efficiency solid fuels to higher efficiency gaseous and liquid fuel and electric power as it jumps from a predominantly agricultural economy to industrialization and urbanization (Tatsu, Hawe, 2007, pp. 7-20).

China is in the middle of three rapidly evolving and energy intensive transformations: industrialization, urbanization and motorization. *Industrialization* is driven by heavy industries like steel, cement and petrochemicals, all big energy consumers and in full process of transformation. *Urbanization* is driven by a large rural population highly disadvantaged coupled with the demand for labour in the manufacturing and construction sectors. The third energy intensive transformation process, *motorization*, is a powerful driving force for the energy demand. Since 2000, car sales have growing with a 37% rate year-on-year, making China the second car market in the world. (Downs, 2000, pp. 127-139) These processes generate a new energy demand. The Chinese energy challenge is complicated by the structure of the energy sector and availability of domestic energy resources.

China is the world's island containing almost a quarter of humanity. That is an astounding statistic but probably not as surprising as the idea of China being an island. China is obviously not surrounded by water. But it is surrounded by impassable terrain and wastelands that effectively isolate it from the rest of the world. This is why it is easy to consider China an energy poor nation on a per-capita basis. Despite its wealth of resources, China's geography and its population of 1.2 billion strain available raw materials needed to sustain its economic growth. The country's most significant energy related problem is not extraction or development, but distribution. Energy resources are everywhere but in South – Central China (where most of the population lives) making the distribution infrastructure a critical part of the Chinese energy strategy [No.1].

China remains the third largest producer of primary energy after the United States and Russia. It has relied on coal to meet 70% of its total energy needs. Oil companies struggle to maintain the current production level while proven gas reserves are limited and future demand will clearly require substantial imports. Renewables are promising for the future but their contribution is expected to remain small in the medium term. Nuclear and hydro power contribution will also remain small against the scale of energy demand (Kambara, Howe, 2007, pp. 44-68). China has become a net importer of coal since the first quarter of 2007 and a net importer of oil since 1993, importing almost half of the oil it consumes. Considering the trends of the energy consumption by fuel type both news are alarming. This is why Chinese policymakers have become increasingly concerned about the security of energy supply. For China, energy security means ensuring reliable, sufficient and convenient forms of energy supply to its population and is directly correlated with the overall development strategy of the country towards the goal of becoming a sustainable and responsible world power.

Taking into account the current trends of the economy, most analysis and forecasts agree that China's dependence on oil imports is going to increase even if numbers are different from one institution to another. Discrepancies may be explained by the fact that projections rely on assumptions of the GDP growth rate and the income elasticity of demand. (McCreary et al., 1996, pp 1-5). As statistics show, while the supply shows very little increase over the last years, oil demand has surged year-on-year, being sustained by the three factors enumerated above: urbanization, industrialization and transportation. Production has grown at a slow pace mainly because the geography and resource localization of China. However, if we were to observe the refinery capacity of the country, we may easily see that it clearly follows the consumption trends.

Refining sector is becoming more and more intensive, being one of the economic areas where industrialization is clearly observable. Refining has dramatically gone up since 1993 – the year when consumption has exceeded production and imports have exceeded exports, transforming China from a net exporter into a net importer of oil. Ever since, import dependency has risen dramatically and is projected to reach 70% by 2020. (McCreary et al., 1996, pp 7-9). This rise in external dependency combined with the fact that almost half of the imported Chinese oil came from the Middle East in the '90s, has determined Beijing policymakers to become more active in their search for oil at the global scale.

China's energy security and its African ties

It is not the first time China is a net importer of oil. The country has been a net oil importer in the '50s and early '60, receiving the bulk of oil from the Soviet Union. The rise on the demand side compelled with the supply diminution during the late '80s and the beginning of the '90s, seized the capability of oil to be a source of international political influence for China. More than that, oil has become a source of vulnerability for Beijing. That is why China has started to develop since the late '80s the idea of creating an energy security strategy, focusing on oil security in particular.

The government role is essential to developing and monitoring the strategy while markets are supporting it. The strategy's elements are focusing on both the overseas supplying strategy as well on the domestic environment. The government directs and monitors the implementation of oil policy through control of the domestic oil prices and investment in the sector and as well as through state banks and state-owned oil companies. Some key elements of the oil strategy at the domestic/national level are:

- China is first trying to maximize the oil production from domestic oilfields, conducting a continuous discovering activity as the large oil fields in north and east are entering their decline.
- The Chinese government tried to balance between the import of crude oil and the imports of oil products: maximize the first and minimize the latter. The main objective was to give the opportunity for Chinese companies to refine crude oil and

so maximize the output of the domestic refining industry. The main constraint seen so far is the fact that the Chinese refineries have had to modernize their facilities to accept certain types of crude oil imported.

- China aims to develop the national distribution network, expanding domestic ports and pipelines and improving the shipping capabilities
- China established strategic oil reserves in 2004 with four depots in the eastern coastal cities of Dalian, Huangdao, Zhenhai and Zhoushan. It began filling its Zhenhai depot, the first storage facility, in August 2006. The depots are expected to hold a total of 100 million to 150 million barrels of oil, or 33-50 days' worth of imports.
- Since the late '90s, China started to develop alternative fuels. The favored option has been for a period of time coal-to-liquids, due to the abundant reserves of coal. However, with China becoming an net importer of coal too, some other possibilities are to be considered.

The overseas strategy China conducts is more important for the general aim of securing its development. The main objective Beijing has followed during the recent years has been the diversification of sources of oil imports. To assure that, China has followed the following routes:

- *promoting investment in overseas production*: since 1993 CNPC has built an overseas portfolio of more than 43 oil and gas projects (mostly oil). If we include the projects where CNOOC and Sinopec are present, their number would exceed 50, covering more than 30 countries
- *promoting investment in overseas refineries*: recently, Chinese companies started to be interested in buying or co-managing overseas refining capacity. Sinopec has bought in 2004 a refinery in South Korea, Sinochem has leased refinery capacity in Japan and most recently, CNPC might expand a refinery in Nigeria
- *developing political, diplomatic relations with the main oil exporters*. For China this usually took the form of "political and economic packages" that included long term oil supply contracts and investment opportunities for the Chinese companies
- *investing in the development of overland oil pipelines in Eurasia*. Due to the vulnerability of the seaborne oil imports, China has been negotiating (with very few results) with Russia and Kazakhstan to build new oil pipelines that would bring oil into China. This is a long term objective and it strongly depends on the geopolitics of the Eurasian continent, something that China is very much aware.

From the above stated measures undertaken by the Chinese in the world, a core importance is attributed to investments in overseas oil projects. (McCreary et al., 1996, pp 23-27) That doesn't only enhance China's energy security by filling in the gap between consumption and supply but it also ensures a certain degree of control over the foreign oil supplies. In a risk-opportunity balance this transforms China into a risk taker as its actions on foreign land are subject to other states policies. In other words, China has to ensure that the effects of a crisis (of any kind) are the lowest possible on its assets in a certain region of the world. That is related to the degree of control China could exercise during a crisis – and that relates to the policy China conducts in that region. On the opportunities side, besides the fact that Beijing is diversifying its supply sources, it also has the possibility of insulating the Chinese economy from price hikes on the international market. That means that in the event of a new oil shock, China could in theory stabilize its economy by pressing the oil companies to forgo windfall profits from higher international prices by requiring them to subsidize the Chinese industry at artificially low prices (Downs, 2000, pp. 11-41).

Therefore to understand the 'rules of the game' that Beijing currently plays, one must understand the core of it – the actions of the three large oil companies that the government created during the '80s, each in charge of an oil industry sector. The China National Offshore

Oil Corporation (CNOOC) was founded in 1982, and has controlled most of the offshore oil business. The China National Petrochemical Corporation (Sinopec) was established a year later and has been responsible for refining and marketing. The China National Petroleum Corporation (CNPC) was created in 1988 and has been responsible for exploration and production. The division along the sector lines of the oil industry created internal competition between the three companies for state funding and prices (of the crude oil, refined products, petrochemicals). Initially, Beijing maintained control over the oil price system that was supposed to offer the industry a balanced development. On the contrary, CNPC was left with limited funds to invest in exploration and production activities which conducted to the stagnation of domestic production and the rise of imports. Observing the situation, the central government started since 1993 to gradually relax the oil price control and so CNPC started to have more money for oil-field investment. In 1997 CNPC officials were confronted for the first time with a situation of having huge available funds and having to choose what to do with them. The question back then was to whether invest domestically or in overseas projects. Taking into account the uncertainty about prospects of national development and the appointment of Zhou Yongkang as the company's president in 1996 – an internationally minded personality, CNPC decided to invest in overseas projects. Beijing supported CNPC actions and even if the company's autonomy has increased since then, the government is still a central voice when it comes to strategic decisions. Therefore, CNPC activities worldwide are a direct expression of the strategy Beijing manages to enhance its energy security.

Observing the increase of the share of imports from Africa, we have focused our attention on the Sino-African relations, trying to review most of the risks and opportunities that derive from those.

Africa is considered one of the most promising regions in the world for future oil production. Proven reserves increased by 56% in ten years since 1996, compared to 12% for the rest of the world. In the same time, African countries are open to foreign investment in exploration and production, as resource nationalism has been less virulent on the continent and the African oil companies recognize the need of foreign companies' competency and capital. The African continent is seen by Beijing to be friendly. Chinese policymakers have asserted that China and Africa share 'identical or similar opinions on many major international affairs as well as common interests'. The Chinese policy speeches when new oil contracts between China and Africa are signed emphasize on the commonalities that the two worlds share, including perceptions of historical oppression by the West (Taylor, 2007, pp. 7-12).

Recent news show that there is an increased interest in the continent resources and that is why we started our research by examining the pace and nature of Chinese investments and most important activities on the continent starting the '90s. In the table bellow we summarized the most important projects that the Chinese companies started in Africa since 1995 until 2007.

Projects of Chinese companies in Africa 1995 – 2007

Country	Year	Project Description
Nigeria	1997	CNPC began oil exploration in the Chad Basin
Sudan	1997	CNPC acquired a 40 percent stake in the Greater Nile Petroleum Operating Company consortium to explore and develop the Heglig and Unity fields. CNPC is also assisting with the construction of a 50,000 b/d refinery near Khartoum.
Angola	1998	joint construction of a refinery in Lobito City and purchase of crude
Nigeria	1998	CNPC purchased two blocks in the Niger River delta
Algeria	2002	Sinopec to develop Zarzaitine field
Algeria	2003	CNPC purchased refineries and signed exploration rights contracts for 2 oil blocks
Angola	2005	gave a \$2 billion loan in exchange of oil deals

Country	Year	Project Description
Nigeria	2006	CNOOC got a controlling stake in Kaduna oil refinery and stakes in an oil and gas field; CNPC also acquired stakes in several oilfields
Madagascar	2006	developing JVs to explore new resources
Sudan	2006	CNPC and Sinopec get drilling rights in exploring new oilfields
Kenya	2006	CNPC begins explorations in six oil blocks
Angola	2006	Sinopec gets 40% of an oil block
Congo	2006	CNPC signs exploration and production contracts
Namibia	2006	CNPC gets exploration rights and is looking into buying a refinery

Source: various articles on Xinhua, China Knowledge, Reuters, AFP, AP media agencies, 2007.

Acronyms: CNOOC - China National Offshore Oil Corporation; CNPC - China National Petroleum Corporation; Sinopec - China National Petrochemical Corporation.

As the data presented above shows, China became more and more active on the continent, both diversifying geographically but also getting involved in projects that varies in size. That only suggests that the trust of Chinese companies in Africa has known an upsurge during the most recent years. However, if Chinese companies still dominates Sudan's oil sector, they are small players in the other countries' oil industries. Taking into account the distribution of the oil reserves in Africa, as well as the countries where China is present "on ground" we can conclude that Beijing effectively controls just very few of them. The most important projects that China controls in Africa are just concerning three countries: Sudan - Heglig and Unity fields, Nigeria - Akpo field and Angola - Greater Plutonio fields. Oil production in Africa is mostly conducted in Sudan and Algeria while other countries are marginal for now.

In the same time, according to the consulting company Wood Mackenzie, the commercial value of oil investments in Africa conducted by China's firms is just 8% of the combined commercial value of the other international oil companies' investments in African oil and 3% of all companies that invested in African oil. This means that there is still room for more and that for the moment other players in the word oil market don't have reasons to consider China as being a threat for their own activity on the continent. Even if Chinese companies have deep pockets they lack the technology that is essential to developing projects in Africa. However, this is a risk that Beijing is most probably taking into account when monitoring the projects it has invested in (Downs, 2000, pp. 43-50).

In its search for resources on the African continent, China has to take care how it is shaping its policy towards the countries where it places its investments. The way Beijing is designing its diplomacy to those countries where most of its activity lies, is hugely important for the future of Chinese investment on the continent. The simple rhetoric that China, unlike the Western world, does not consider any country to be a 'rogue state' is no longer enough to make African countries trust the Chinese when they come to invest. Standards of good business governance are becoming more and more important to African states too. That is no good news for Beijing as it is criticized for its activities in both countries that it relies on in Africa – Sudan and Angola (Taylor, 2007, pp. 13-32).

While NGOs as CARE and Global Witness criticize China for supporting corruption and the oppressive, dictatorial regime in Angola, Amnesty International has criticized Beijing for fueling the civil conflict in Sudan by offering the Khartoum government weapons. Indeed, China saw no problem in the corrupt environment of Angola and took advantage of it. The \$2 billion loan Beijing gave Angola in 2005 ensures that the Chinese companies will stay in the country on the long term but it also gave Luanda the opportunity to be able to refuse the IMF financial support and conditions on lowering the corruption level and enhancing transparency. However, the money China gave Angola will be used for infrastructure projects – a vital area for the country's further development.

In Sudan, Beijing used its weapons exporting policy to ensure that no one will kick out their national oil companies. Chinese involvement in the civil conflict is obvious as reports show the Sudanese government not only used Chinese weapons but also used the CNPC facilities in the country as attack bases. China has also used its diplomatic power to ensure control over the Sudanese environment.

To ensure its presence and influence in both countries China has used a bit of everything from diplomacy to business and military tactics. This could affect the relationship with the other countries in Africa. If on the short term Beijing will find a policy solution to ‘negotiate’ with each of them considering the specifics of every environment, on the long term that might not work out too well. However, we should not forget that a prosperous Africa is in Beijing’s interest. Therefore, the responsibility for a sustainable relationship between China and the African countries lies both in Beijing and African governments’ hands. It is ultimately up to the African countries to choose what to do with the aids and loans they receive from China, how to take advantage of Chinese investments (not only in the oil industry) in order to promote development in an unstable environment and to avoid future conflicts.

Concluding remarks

The increasing dependency on oil imports has transformed China into a world player on the international market. China’s consumption is expected to increase exponentially and that will sustain the increase in oil imports. Factors supporting the forecast include: China’s urbanization phenomenon, the rising number of registered automobiles, China’s low per capita consumption, the modernization of industries and the need to reduce the amount of coal used as a proportion of its overall primary energy consumption due to its highly inefficiency and pollution. All these have made Beijing starting its quest for oil worldwide and contributed to the development of the new energy security strategy that Chinese policy makers started to design since the ‘90s.

Both dimensions of the energy security strategy Beijing develops – the domestic and overseas dimensions – influences the global players in shaping up their own developing strategies. The domestic measures that Beijing undertakes to secure its oil needs are translated for most of the international players as concerted steps that may one day lead into the opening of the domestic market to foreign investors. The perception of China as a global player on the oil market started to be more obvious recently when the three national oil companies have started investing abroad to ensure the country’s oil security. This has lead to world (mostly Western world) worries that China could have too much power on the markets and it could even manipulate the prices. Evidence so far shows that these worries are far from reality. Beijing is indeed aware of its global importance on the world markets mostly because the country’s domestic consumption as their activities abroad are until now marginal.

However, there is one place in the world where China’s activities have been very visible lately: Africa. The continent has tremendous production potential and investments in its oil industry are seen as very feasible for the future. But it has also been criticized, especially in Western capitals, of fueling conflicts and human-rights violations or supporting corruption. Chinese policy in the African countries is likely to affect the development and outcome of its projects on the continent. However, African governments also need to become more proactive and trade better with the Chinese for their countries’ sustainable development. The oil-diplomacy of both Beijing and African countries will shape the future for Chinese presence on the continent as well as the behavior of the other (Western) oil powers in Africa and worldwide towards the new China – the oil power.

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SOCIAL ECONOMY AND COMPANY RESPONSIBILITY

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Abstract. *The paper approaches some dimensions that reflect the evolution of the business-society interaction with a focus on social responsibility. The theoretical approach is followed by a case study on the social responsibility in Romania. One of the problems that entrepreneurs are faced with, in this context, is the connection between the CSR (Company Social Responsibility) and the profitability level. We will see that on a short term, all such activities mean more costs for the company, but on a long term, the company will be the real winner, not necessarily on the figures level, but on the one of consumers' trust and image building.*

JEL Classification: A13, M14.

Key-words: social liberalism; social market economy; receptivity; voluntary activities; social performance; company social responsibility.

Introduction

A post liberal trend of modernity, the *social liberalism* is said to cover “the space between the radical liberalism and the social democracy, through a synthesis of liberalism and civism”⁽¹⁾. We can thus say that social liberalism pleads for a moderately liberal model that wants to take into account the social problems of the contemporary world, problems that haven't received an adequate answer, neither from the part of socialist trends, nor from the part of classic liberalism or neo-liberal trends.

Consequently, in the socio-economic mechanism, people reached the *social market economy*⁽²⁾, a species of liberal economy, manifested in different ways, in most of the developed countries and especially in Western Europe. Among the fundamental values of this social economy we may obviously list the private property and profit, as economic motivation, but also freedom of mobility and action, in other words, free initiative as the engine of economic development, together with free competition and markets, as the single way to progress.

In one of his books, Friedrich von Hayek⁽³⁾ states that the social market economy is one based on a state in which the Alpha and Omega of the economic progress is the free mobility and not the centralized plan, and in which freedom has its own dimension, rigorously established by law. More than that, progress should be benefic for the entire society and therefore, the income redistribution is imperative, as to ensure social justice. State intervention is thus moderate in the social market economy; it acts by economic and not bureaucratic/ administrative means, as an economic agent, submitted to the competition rules. Within this system, the state is supposed to reduce inequalities, to offer equal chances, to subsidize where really needed, to maintain low levels of unemployment, in order for the society to know progress.

Another aspect displayed by social market economy is the preoccupation for the stability of global equilibrium, for the reduction of the difference between the rich and the poor, for providing adequate and permanent social protection and good conditions of life and

work. Its doctrine discourse knew a few very important authors: J. S. Mills from the classic school, on the one hand, and L. Walras and V. Pareto, from the neo-classic school, on the other hand, both orientations bearing liberal influences.

Besides these contributions, the social market economy has been outlined by other economic schools (the German Historical School, the Japanese post-war model, the Swedish model etc.). The officials of the German Historical school, for instance, agreed that not only the desire for immediate gain of the individual would be the engine of economy, but also factors that send to ethics and to the social-historical environment, with an emphasis on the state's role, in this context, as a regulator of economy and of social justice. The Japanese model has also contributed to the outlining of the social market economy doctrine, this being centered on the use of human resources and creativity, as well as on the important contribution of the state in this equation. The social-democratic Swedish model seems to have succeeded in representing this new doctrine in the best way: a very serious work discipline, social agreement, solidarity and cooperation of workers, through the unions' movement, and the desire to solve the economic problems, not only ideologically, but also at the practical level.

There is a big share of socialism (redistribution etc.) as well as of capitalism (the creation of welfare), in the social market economy, and the experience of France, Sweden and Austria draws our attention to the fact that the preoccupation for the social needs can impoverish the economies, and the ideal of global equilibrium and of the general social protection is improbable, for the moment.

In the first decade of the 21-st century, the world is confronted with a series of challenges in what the work force and effective work are concerned. The policies should offer a higher priority for the socio-economic security, because only in such conditions people can make their choices and have the possibility to decline the phenomenon of work degradation. In this context, here is how the European Union policies are meant to support social development.

UE policies regarding social development

The term "decent work" has become a common one in the lexicon of the work force analysis and of all the problems associated to it, from the moment it was introduced by the International Work Force Organization in 1999. Therefore, a decent type of work, for the one that undertakes it, should be satisfactory, meaning that it should promote personal development and contribute to the welfare of the society, as well as to the welfare of his/her own family. A society which is committed to promote decent work would be one in which people live in conditions of economic security and of equality of opportunities, in order to develop and apply their own competences in the conditions of improvement of the social, economic and cultural rights.

Nevertheless, a lot of teenagers around the world live in poverty and approximately 130 million people are illiterate. Then, persons with disabilities can hardly find a place of work. A lot of governments and employers (in order to remain competitive from the economic point of view) have moved into the direction of increasing the market work flexibility, creating in this way quite a great level of insecurity among numerous groups of workers. On a global scale, this has led to short-term contracts, that are far from offering security to employees. Actually, the recent privatizations, marketizations and social services have led to the reduction of the number of employees as well as to the diminishing of their income and to the loss of this category representative authority. The security of the labor force is also being threatened by the globalization of the financial markets and by the existing of an extra labor force at the global level. The discrimination of women is also a phenomenon that is definitely continued, with 49% employed women, in comparison with 74% of employed men in 2007.

Here is how things are going in our European society and here are the recommendations that we can find in the documents of the European Union:

1. The promotion policies for decent labor have to take into consideration the social and demographic changes that appear.
2. The political reforms that sustain the equality between ethnic, cultural groups, as well as the ones that sustain the protection of the immigrants' rights are also essential.
3. A global social protection is imperative.

Finally, one can say that decent labor for everyone, more than economic growth, or a simple labor offer, should be in the center of the economic and social preoccupations of our time.

Romania, a young member in the UE, has its own way of perceiving these European policies.

Case study the social responsibility in Romania

There is this increasing concern, in the world, but also in our country, for defining *a company with social responsibility*. The term "social responsibility" has been initially translated by the society's expectations from the business environment, the ethic obligations of companies towards it. Howard Bower (1953), known as the "father of social company responsibility", defined CSR⁽⁴⁾ as being : "the obligations of businessmen to follow those decisions or directions, that are approved by the society in terms of values and objectives." The specialized literature offers us more patterns. Sethi (1975), for instance, has made the difference between *social obligation*, defining it as a dimension or a perspective for the social performance of the company, *responsibility*, as a compulsory element in labor relations, and *receptivity*, as a dimension for preventive anticipation. Carroll's pattern (1979) has three dimensions as well: the *social performance* of the company, with its economic and juridical obligations, *the ethic responsibilities* awaited and appreciated by the society and, finally, the *voluntary activities*, meaning not compulsory ones, guided by the management's desire to play a more serious social role.

The above mentioned dimensions reflect the evolution of the interaction between business and society, especially in the United States of America, but they certainly apply worldwide. The conclusion might be that the strictly economic obligations can be moderated by the ethic responsibilities or by the expectations and social standards.

The European Commission has defined the company's social responsibility as being "a concept through which the companies are integrating the social and environment issue in their commercial activities, on a real base"⁽⁵⁾.

All the definitions given for the *company social responsibility* say that this activity is one on a voluntary basis, being above the legislative obligations imposed by each country. To exemplify this concept, we will try to give an example from the field of the environmental protection, more specifically in the field of gas emissions. The legislation stipulates the high limits of emissions for the companies, as well as the procedures regarding the examining and reporting methods for these emissions. The fact that a company fulfills the legal provisions cannot be considered an act of social responsibility, but the concern displayed by this very company in order to reduce the emissions of gas with x %, under the law limit, can be framed into the set of activities attached to *social responsibility*. If until now the companies that have really developed social responsibility programs were only the multinational ones, which came with a strong organizational culture, in order to withstand on the market, the Romanian companies will have to embrace a responsible attitude too.

Hopefully, the integration of Romania into the European Union will also mean that our companies will start to involve themselves within the communities in which they activate. In this sense, the technological environment is the one that will have the fastest development and due to the pressures coming from the environment and the legislative direction, the technology is the one that is to come up with more and more suitable solutions, which should provide a continuous development of the society. In order to keep up with the changes from the external environment, Romanian companies have (according to their statements) the following intentions:

- to observe those tendencies regarding the legislation and standardization that can create new markets, or can destroy certain markets in a very short time; the governments change the regulations on different grounds, including the lobby actions of different players from the market, as well as the ones concerning the scientific progress;
- to be informed about the international agreements regarding the environment; the technologies will be thus adapted to these new agreements and they will rely on eco-efficiency, pollution prevention and long lasting development.;
- to actively monitor the technological progress, especially when it can generate reduction of costs, or when it can create new services and implicitly new jobs.;
- to follow those economic and social tendencies that lead to the growth of important technologies; these include the tendency of rising raw material price, but also an intensification of the governments concern, to generate regulations for the standardization of the company's activities.

One of the problems that the Romanian entrepreneurs bring into discussion is the connection between the CSR actions and the level of profit. On a short term, all these activities mean costs for the company, but on a long term, the company gains. It's a gain, an advantage, that should be understood, not only at the level of figures, but moreover as an intangible gain, at the level of the consumer's trust and of the company's image. The responsibility they manifest towards the society can constitute an element of strong differentiation among the companies, because the consumers are more sensitive to the company's messages that aim at the society's development, than to those that are passive from this point of view, and are therefore perceived to consider profit as their unique direction in business; 42% of the consumers agree that a company should be partially or totally responsible for solving the social community problems in which it activates, and 49 % of the consumers take into consideration aspects regarding ecology, when they buy a product. The analysis of the social responsibility concept must be made taking into account its multidisciplinary. One cannot tell that this is a concept related only to the marketing strategies of the company. The CSR activities are far more complex and cover all the company departments (production, human resources, financial, R&D etc.) as well as its management system.

Conclusions

What the social market economy suggests is to provide the common welfare and prosperity of the people. In Romania, a country that has recently entered the European Union, the democratic-Christian program might offer those ideas that form the social economic market doctrine:

- the access to property is opened and fair, the property being thus guaranteed; the initiative is free, and the competition encouraged;
- the need for capital will be solved by attracting foreign and domestic investments - on the basis of fiscal policies and of a clear and stable legislation, according to the market economy;
- the business environment is being held between two limits: the discouraging of tax dodging (as well as of corruption) and fiscal relaxation; the economic activities have to be developed within the limits of law, ethics and social justice;
- the effects of free competition and of the market mechanisms (if they bring prejudice to the consumer) are to be controlled, in order to get social equilibrium;
- the state limits its implication in economy, preferring to monitor only the different existing interests, in the spirit of justice and solidarity;
- the centralism is replaced with the subsidiarity, that involves the responsibility of the communities and people, and motivates them in this way;
- the natural hierarchy between different types of services and the recognition of their value is reestablished;

- the people with special needs are protected in a fair manner, without affecting the economic efficiency;
- the environment should be protected both by producers and consumers, they will both take responsibility in this sense;

It remains to be seen how the Romanian society will react in future. For the time being, the dissatisfactions regarding the income of the active population, the pension fund, the degree of job occupation, the environment problems, in other words, all those issues connected with the happiness and welfare of the people, should give a lot to think to the country leaders.

Notes

1. Sergiu Tămas, Dicționar politic, Editura Sansa, București, 1996.
2. The social market economy seeks a middle path between socialism and capitalism (i.e. a mixed economy) and aims at maintaining a balance between a high rate of economic growth, low inflation, low levels of unemployment, good working conditions, social welfare, and public services, by using state intervention (Wikipedia definition)
3. Friedrich Von Hayek, *Droit, legislation et liberte*, vol 1-3, PUF, Paris, 1980.
4. CSR = Company Social Responsibility
5. Green Paper Promoting an European Framework for Social Corporate Responsibility, Brussels, COM, 2001.

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ECO-LEADERSHIP - THE NEW TYPE OF LEADERSHIP IN THE KNOWLEDGE-BASED ECONOMY

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Abstract. *In the context of the knowledge-based economy, there appears a new leader profile caused by the changes of Antropocen, a new geologic era: the “Eco-leader”. In this study there are presented some of the features of this new type of leader, based on a research of eco-leaders in maritime transport. Eco-leaders are also analysed through the perspective of the activity of management of waste, ecological team building and the development of the corporate responsibility strategies within the Romanian business environment.*

JEL Classification: L9, O10.

Key-words: eco- leader; maritime transport; leadership.

Economic context of eco-leaders: a new geologic era

The post-glacial geological epoch of the past ten to twelve thousand years was named Holocene. It was proposed for the first time by Sir Charles Lyell in 1833, and adopted by the International Geological Congress in Bologna in 1885. During this Era, humankind’s activities gradually grew into a significant geological force, as recognised early on by a number of scientists. A Russian scientist V.I.Vemadsky in 1926 recognized the increasing power of humankind as "having greater and greater influence on their surroundings”.

The expansion of humankind, both in numbers and per capita exploitation of Earth's resources has been irreversible. During the past three centuries human population increased to more than 6000 million. From May 2008, the world's population is believed to be just over 6.6 billion.¹ In line with population projections, these figures continue to grow at rates that were unprecedented before the 20th century. The world's population, on its current growth trajectory, is expected to reach nearly 9 billion by the year 2050. In a few generations, humankind is exhausting the fossil fuels that were generated over several hundred million years.

Globally, there is a release of about 160 Tg/year SO₂ to the atmosphere by coal and oil burning. Vitousek (1997, pp. 277-494) admits that 30-50% of the land surface has been transformed by human action. Humankind uses more than half of all accessible fresh water. Human activity has increased the species extinction rate to ten thousand folds in the tropical rain forests² and several greenhouse gases have substantially increased in the atmosphere, for example CO₂ by more than 30%. Furthermore, humankind releases many toxic substances in the environment, which led to the Antarctic ozone hole. Coastal wetlands are also affected by humans, having resulted in the loss of 50% of the world's mangroves. Paul Crutzen suggests the central role of humankind in geology and ecology by proposing to use the term “anthropocene” for the current geological epoch, as the impacts of current human activities will continue over long periods.

To develop a worldwide-accepted strategy leading to sustainability of ecosystems will be one of the great future tasks of all nations, requiring intensive research efforts and wise application of the knowledge thus acquired in the knowledge society (Kaliski, 2001).

A characteristic of the knowledge economy is the new type of leader who takes into consideration the complexity of human-environment relation and who takes into account the long-term instead of short-term economical advantages. For “the new type of leaders” of the “New Economy”, we propose the name “eco-leaders”, because they are an example of social responsibility for others, they take decisions based on the principles of durable development concept and they search for ways of economic development, which protects the environment. They often have the intention to solve the global ecological problems and they are altruistic characters, being interested in reserving better or at least the same living conditions for the next generations.

Characteristics of eco-leaders

Many books have been written on the subject of leadership. For example, Robert J. Thomas and Warren Benis have written a series of books on leadership that enable people to understand the basics of becoming a leader. Leadership is more than having a vision and mission and communicating them to the team. It also good hiring, proper training, compensation plans that motivate employees and other factors.

Leaders acknowledge that money is not the main motivating factor. The factors that rank higher are recognition, appreciation, respect, enjoyable work environment and the opportunity for professional development. In maritime transport, for captains, it is difficult to find time to address all of the se issues and the crew examine his or her behaviour closely. The leader’s behaviour determines whether he believes in the things he says, whether he is dedicated to his team’s success, whether he desires for them to grow in their jobs and whether he wants them to take on more responsibility and be more accountable. If maritime captains fail to recognize and demonstrate appreciation for their team members, their leadership is undermined, regardless of the level of desire or skills training.

Eco-leaders are those leaders who have specific objectives of adapting to the enterprise context the information regarding environment. Eco-leaders are leaders that take decisions of eco-leadership and eco-management regarding the use of the ecological packs, eco-ticketing, production of ecological products and their utilisation in production, financing the environment projects, acquiring friendly-environment technologies and development of knowledge of utilisation of these technologies. In general, eco-leaders redesign the communication with their followers accordingly with sustainable development.

Eco-leaders are those persons who consider that in today’s society, a business must maintain ethical principles in order to be successful⁽²⁾. They make programs in order for the employees to feel directly enhanced their benefits given by the corporation, like better health care or a better pension program. Eco-leaders perceps that employees are stakeholders in the business, and there should be taken in consideration the environment within the employees work and the employees families live. Eco-leaders feel that both the employees and the environment are valuable assets for the corporation. When employees feel they are being treated as such, productivity increases.

Perspectives of eco-team building

In order to establish synergy and the employees cohesion within the corporation, those eco-leaders which are also eco-managers establish eco-team building programs. Synergy is the property where the whole is greater than the sum of its parts and leader is the person who makes assure that the team is in cohesion. A team develops products that are the result of the team's collective effort and involves synergy.

Eco-team building is the process of gathering the right people and getting them to work together for the benefit of the environment.

Eco-leaders help team members to overcome barriers and to willingly work together in extra-program hours, in activities like recycling or planting trees.

During eco team-building sessions, eco-managers join the team-building activities. The object of team building is to use environmentally safe and friendly adventure based experiences to put in cohesion the human capital structure of an organisation.

Eco-leaders and management of waste

Waste has become an increasingly difficult environmental and economic problem, one that affects entire humankind. Eco-leaders have a vital role to play in programs to reduce waste.

A recent study of resource consumption and waste generation found that 60% of the waste produced in company head offices was paper waste, including printing and writing paper, newspapers and magazines and cardboard. Wastes from catering and leisure facilities contain significant amounts of glass, beverage cans, plastics, paper, board packaging and food waste. In a recent investigation of the financial sector, food waste constituted the largest single proportion of all the waste, accounting for an average 21% of total waste arisings. Other catering related wastes include packaging materials such as cans (3%), plastic cups (1%) and glass (3%).⁽³⁾

An important step in waste management is to conduct an audit to measure the types and amount of waste produced. Such an audit will identify the origin of each type of waste and will establish methods of reducing waste and of collecting waste in a proper manner.

Longer life products can be substituted, such as the fountain pen instead of non-refillable ball-point pens, or low energy light bulbs, which last as long as eight standard bulbs. In addition, a new type of stapler, which does not use metal staples, can replace paper clips and staples. Paper, printer cartridges, drinks cans, glass bottles, telephones, and even cooking oil, are all workplace wastes, which can be easily recycled. Eco-leaders can suggest workers to use both sides of the paper whenever possible in the work activities. The use of double sided photocopying can bring a huge benefit environmentally and economically.

Communication of the waste management process among employees is vital for the success of waste minimisation schemes. Internal newsletters from eco-leaders, presentations, stickers and posters are ways of communicating new initiatives of efficient eco-leadership.

Development of the corporate responsibility strategies in shipping

Attention and business attitudes towards the environment have undergone a big change in the past few years. Corporate responsibility is a concept whereby **organizations** consider the interests of **society** by taking responsibility for the impact of their activities on **customers**, suppliers, **employees**, shareholders, **communities** and other **stakeholders**, as well as the **environment**. This **obligation** is seen to extend beyond the **statutory** obligation to comply with **legislation** and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

Shipping is a crucial activity for international commerce, and ships will remain a key mode of transport for moving objects and people. However, the negative side effects of shipping both environmentally and socially are considerable. Shipping causes a wide range of effects on the marine environment and disasters caused by Exxon Valdez oil spill (1989) of 40.9 million liters and Prestige (2001) are just two of several negative examples. The emissions of sulphuric oxide (SO_x), particulate matter (PM) and nitrous oxide (NO_x) by the shipping industry are constantly increasing. Greenhouse gas emissions (CO₂) from ships are on the rise and it is estimated that total carbon emissions from the shipping industry are equivalent to the carbon emissions of Australia. There are no incentives under Kyoto climate change treaty for the shipping industry to lower its emissions. This brings in the need for a revolution in ship design and operation and for an efficient social responsibility strategy.

In the shipping sector, a growing number of leading shipping companies are taking serious steps to ensure that their businesses act in the most responsible way possible. Strategies of corporate responsibility in shipping and eco-leaders regards, for example, using a cargo ship running only on renewable energy with solar power, wind energy, and hydrogen

from sea water for power with zero emissions into the environment. The concept model is the “E/S Orcelle” which is a cargo ship design by Wallenius Wilhelmsen. While this is “visionary think,” and the concept is not planned to be built, the intention is to stimulate the needed technology to create such a ship within the next 20 years⁽⁴⁾.

Yoshiaki Kodama who is trying to make a ship float on bubbles and move at higher speeds using less fuel gives another example of social responsibility in shipping. He is Director of the Advanced Maritime Transport Technology Department at Japan’s National Maritime Research Institute in Tokyo. The Maritime Research Institute in the Netherlands reports that reducing the drag on a ship's hull could improve efficiency by up to 20%. There are of course problems to be encountered and overcome, but the idea of bubbles springs from improving the environment and will be good for business as well. Reduced friction improves fuel efficiency and reduces greenhouse gasses by 25%⁽⁵⁾.

The Clean Ship is an integrated approach towards sustainable shipping and a visionary approach aiming to develop the concept of vessel design, construction and operation system in an integrated manner to eliminate harmful discharges and emissions throughout their working life, in order to achieve the “zero-emission” target.

In the future ships should be designed, constructed and operated in an integrated manner to eliminate all harmful emissions and discharges throughout their working life.

In Romania, corporate responsibility strategies in shipping are at the beginning and sustainability practices varies from company to company, therefore it is often difficult to understand and compare reporting methods.

Eco-leaders in maritime transport

Until very recently, in sea transport the focus was on technical operations and manoeuvres and the human dimension was neglected, particularly leadership and command

In sea transport, often the leader is or should be the captain of the vessel, which is the person in charge, along with the Chief Engineer who keeps up for the mechanical issues. When someone is promoted as captain, it is done with the expectation that he or she will demonstrate two qualities. First is the overall quality of performing in a professional manner, managing the resources. The second is that he or she will accept and function as a leader. As a professional, it is expected that they will always operate the ship and conduct the cargo in accordance with corporation policies and international regulations, and that they will employ good judgment to the highest standards of proficiency. A leader guides and directs others in order to operate in a professional manner. The captain is one who commands, leads, or guides others, the designated leader of a team or crew, one who supervises, a figure in the forefront and ultimately a leader.

Personal qualities of successful seafarers leaders are:

1. Their knowledge of ships, shipping, systems and maritime processes. They are also able to converse with clients and other seafarers using the technical jargon and language of the sea. Generally, ex-seafarers are more comfortable discussing marine issues in the corporation of other ex-seafarers than with non-seafarers.

2. Their maritime credibility. This is related to the above but comes with experience at sea, which is why this factor is often sought by shore employers in maritime related businesses.

3. Their ability as independent, self-reliant and resourceful workers. Seafarers are generally good at handling uncertain situations as they develop, and are regarded as responsible employees who are committed to getting the job done.

4. The last but not the least is the leadership potential. Officers are also regarded as potentially good and pragmatic leaders who are good at making decisions and creative at solving problems.

An officers’ education may be too preoccupied with narrow operational technical questions for some management positions ashore. Prospective shore employers may consider

that these characteristics are especially true of senior officers, who may be seen as being fixed in their ways and averse to change and the authority of others.

Those individuals who stay in the seafaring profession are perceived to be the more practical minded, often with a long held ambition to become a Master or Chief Engineer. They are people who appreciate the job and the seafaring lifestyle, and the rewards that this brings. There are also those who find fulfilment of their personal ambitions outside their working life and find seafaring conducive to the pursuit of these other activities. Perhaps they are very active in other areas, for example, managing small private businesses while ashore. In contrast, there are also the more academically inclined, who may from the outset, regard the officers' vocation as merely a step on the ladder to a maritime career ashore and who will often plan for additional education. Another factor that may determine the length of time spent at sea by an individual is "fast track" promotion, which in some companies has become the rule rather than the exception. Within a few years, an officer's salary may be at a level that is difficult to match in a normal shore job. Often this high salary will be followed by financial commitments, sometimes referred to as the "mortgage trap", which may be difficult to meet with a "normal" salary. Fast promotion has now reached a level where some interviewees considered it a problem. This may be the case where it could result in an entire group of officers possessing only a limited amount and diversity of experience among them. The problem is accentuated by the fact that no differentiation is made between sea time earned on small and large vessels, making it possible for officers with experience from only small vessels to obtain senior officer positions on large vessels, with no prior experience in such vessels. In earlier times, the shipping companies themselves would have largely prevented this, but now they may not have the possibility of choice in the present situation. A possible solution put forward by interviewees would be a requirement for more sea time during the basic education period.

A big problem in maritime transport today is a lack of understanding about the differences in leadership styles. For example, some personnel in sea transport have characterized certain senior leaders from the other services in joint appointments as indecisive or not forceful enough, or the small stature of sea leaders in the context of their less than adequate leadership. On the other hand, there are certain senior leaders in joint appointments as "all muscle and no brains" or micromanagers because they try to make forceful interventions in areas where they have little expertise. Many of these views are based on service-based expectations about what good leadership looks like.

Some of the views are based on stereotypes, others on fact. However, we currently have very little in the way of research to sort myth from reality on this topic. In fact, we have not even identified, in any systematic way, all the service-based views on leadership.

There are distinct differences in the leadership styles commonly used in maritime transport and each nation has a singular culture that is another variable in the leadership equation.

Eco-technical leadership is the ability to influence others to achieve a goal based on the specialized knowledge or skill of the leader. Eco-technical leadership is exercised by leaders who must be able to either actually do the same job as their subordinates (e.g., captains), or by leaders who must have a significant specialized knowledge of the jobs that their subordinates perform (e.g., the seamanship skills of the naval officer). This type of leadership is critical in the maritime transport where every second the ship depends on technology and by extension the technical ability of the crews and their leaders, for their very survival not just their ability to fight. Nevertheless, this type of eco-leader makes use of the technical machinery with great care, in order not to destroy the marine or harbour environment.

The most precious thing to a leader in sea operations is his or her ego. Nothing feeds or destroys that ego quicker than the quality of the last voyage. Besides mastering the skills required to make good voyages, there are many other skills a captain will be asked to demonstrate. In addition, the Second Officer has a recognized responsibility and importance

as he stands near the captain when the ship is on sea. He also occupies a point of strategic importance in the financial well being of the airline.

Today shipping companies all over the world hire consultants to analyze and study their operations in an attempt to either correct safety problems or prevent human factor caused accidents. The answer to many of the audits uncovering human safety shortcomings is simply good training programs.

Bearing this in mind, generally Deck Officers may expect to be two years as a Second Officer, two years as a First Officer and six years as a Chief Officer before command. Engineer Officers benefit from a shorter ladder, and from a higher flow of people, as Engineers generally have more opportunities to leave the seagoing career than do Deck Officers, and they tend to leave at an earlier stage. In some countries there is the trend regarding Deck Officers is changing now towards the pattern of the Engineer Officers.

Former deck officers are valued as leaders and will often find employment in middle management in generalist functions within administration, general management, sales, HR, education, classification or as self employed.

High power distance cultures are ones in which there are many ranks and status is important; seniors are obeyed and respected and there is a large "distance" between the common person and the nation's rulers. Flatter hierarchies exemplify low power distance cultures; there is more equality between individuals and less distance between "the man in the street" and the power of the nation's leaders.

In a maritime context, this becomes apparent in the differences between those countries where parts of the maritime sector are quite independent and separate from each other, with their own hierarchies, systems, and those where the boundaries are far less rigid. A good example of a high power distance culture in this respect is Greece where the hierarchical systems for the Coastguard, Hellenic Navy and administration appointments are quite separate from the shipping industry itself. Italy and Spain share this trait to a lesser extent. In comparison, in the Scandinavian countries, the UK and Netherlands, the boundaries are less rigid and many of these shore-based appointments will come from ex-seafarers. This may in part explain why clustering of shore-based maritime activity is more or less formalised in the various maritime activity is more or less formalised in the various Member States.

Culture is something that is often an underrated and overlooked aspect of our business. It is the basis and the driver of our actions. It determines who fits into the organization and who the outsider is. It is people that make up our organizations, they crew ships and they do good things or not based upon their personal backgrounds and national and organizational cultures.

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E-SUPPLY CHAIN MANAGEMENT

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Abstract. *The present paper focuses on the interaction of two topics: Supply Chain Management (SCM) and the Internet. Merging these two fields is a key area of concern for contemporary managers and researchers. The Internet can enhance SCM by making real time information available and enabling collaboration between trading partners. The objective is to collect, organize and synthesize existing knowledge relating to SCM and the Internet. The study underlines the impact that the Internet has on the different processes that SCM embraces. The main idea is that e-SCM has been acknowledged as an outstanding topic in the supply chain literature in the most prestigious Operations Management and Logistics journals, especially after year 2000. The main topics have been e-procurement, e-fulfillment and information flows. The value of this paper is oriented towards defining e-SCM, to analyze how research in this area has evolved during the period 1995-2005 so that directions for further research may be identified.*

JEL Classification: H10, H20, H30, H40.

Key-words: supply chain management; internet; operations management; logistics.

Introduction

Supply Chain Management (SCM) refers to the management of upstream and downstream relationships in order to deliver superior customer value at less cost to the supply chain as a whole” (Christopher, 1998). The integral value of the SCM philosophy is that “total performance of the entire supply chain is enhanced when I simultaneously optimize all the links in the chain as compared to the resulting total performance when each individual link is separately optimized (Burke, Vakkaria, 2002). In order to achieve this coordination/integration of all the links in the supply chain, information is critical. Recent technological developments in information systems and information technologies have the potential to facilitate this coordination, and this, in turn, allows the virtual integration of the entire supply chain. The focus of this integration in the context of Internet-enabled activities is generally referred to as e-SCM. Merging these two fields (SCM and the Internet) is a key area of concern for contemporary managers and researchers. Managers have realized that the Internet can enhance SCM decision making by providing real-time information and enabling collaboration between trading partners. Many companies have implemented point-of-sales scanners, which read, on real time, what is being sold. These companies do not only collect information on real-time to make decisions about what to order or how to replenish the stores; they also send this information, through the Internet, to their suppliers in order to make them able to synchronize their production to actual sales.

The aim of this research is to consolidate the existing research efforts concerning the impact of the Internet on SCM, and to identify promising areas for study. In particular, the objectives of this study are:

1. To define what can be understood by e-SCM.
2. To present a literature review of the main topics on e-SCM.
3. To identify implications and directions for future research.

Defining E-SCM

In the literature there is a diversity of models suggesting which the main supply chain is processes. For example, the Supply Chain Operations Reference (SCOR) model developed in 1996 focuses on five key processes: plan, source, make, deliver, and return. (Cooper, Lambert et al. 1997) defined SCM taking into account the eight supply chain processes identified by the International Centre for Competitive Excellence (now named Global Supply Chain Forum): customer relationship management, customer service management, demand management, fulfilment, procurement, manufacturing flow management, product development and commercialisation, and reverse logistics Hewitt (1994) found that executives identify up to fourteen business processes. As a result, a definition comprising a number of processes closer to fourteen might provide more detailed information for practitioners and researchers. Cooper and Lambert defined SCM as “the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders”. SCM ideally embraces all business processes cutting across all organisations within the supply chain, from initial point of supply to the ultimate point of consumption. I define e-SCM as the impact that the Internet has on the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders.

The Internet can have three main impacts on the supply chain. One of the most covered topics in the literature is the impact of *e-commerce*, which refers mainly to how companies can respond to the challenges posed by the Internet on the fulfilment of goods sold through the net. Another impact refers to *information sharing*, how the Internet can be used as a medium to access and transmit information among supply chain partners. However, the Internet not only enables supply chain partners to access and share information, but also to access data analysis and modeling to jointly make a better planning and decision making.

Literature review and classification

In this section, for each one of the topics used to classify the papers I provide a description of the topic, an analysis of the impact of the Internet on it, and some directions for further research. This section is structured as follows: I first focus on each one of the processes identified by the Global Supply Chain Forum, then I continue with the enablers and, finally, I cover the impact of the Internet on the industry structure and competitive challenges, and on the firms' performance.

The customer relationship management process

The customer relationship management (CRM) process provides the structure for how the relationship with the customer is developed and maintained. This process includes identifying key customers, segmenting them and tailoring products and services to their needs. The process also includes all activities related to working with customers in order to (1) improve processes, (2) eliminate demand variability and non-value added activities, and (3) develop agreements of metrics.

What is the impact of the Internet on this supply chain process?

I can distinguish two different types of impacts: Internal and downstream. Internal effects refer to the impact of the Internet on the focal company. For example, through the Internet, all business units can have access to the same information about each customer. This means that all business units will be able to negotiate and relate with customers taking into account the same information.

The downstream effects refer to the impact of the Internet on the relationships with customers. One of the most important aspects of the downstream effects is that web sites allow companies to collect data as users navigate around them. This means that the Internet can generate a large amount of data, which can be very useful to CRM if it is analysed

properly with Operations Research (OR) models ((Geoffrion, Krishnan, 2001), (Sodhi 2001)). This has motivated the development of OR-based tools for predicting individual consumers' purchasing behaviours, leading to improvements in forecasting and inventory deployment (Sodhi, 2001). Another downstream effect of the Internet is that it allows companies to provide new services to customers, increasing the companies' products and services offerings..

The customer service management process

The customer service management process provides the firm's face to the customer (Croxtton, García-Dastugue et al. 2001). It should be the single source of information to the customer. Real-time information is provided to the customer through interfaces with the firm's functions, such as operations and logistics (Croxtton, García-Dastugue et al. 2001). This process includes strategic aspects, such as the development of the response procedures and the establishment of the infrastructure needed to respond.

The most important impacts of the Internet on this process are in the internal and downstream parts of the supply chain. In the downstream part of the supply chain, the Internet can be used (1) to recognize events and listen to the customer, and (2) to communicate the response procedure to the customer. In the internal part of the process, the Internet can be used to enable information sharing on real time among different business units and among different functional areas of a firm. This internal information sharing will improve the response of the company to any event.

The demand management process

The demand management process needs to balance the customers' requirements with the firm's supply capabilities. This includes forecasting demand and synchronizing it with distribution, production and procurement. The Internet impacts this process along all the supply chain. Information sharing about actual sales enables companies to improve their forecasts. This affects the internal part of the supply chain (the focal company), but it also affects its upstream and downstream links.

For example, in the grocery industry any manufacturer can receive information about the current turnover of each store. Internally, this information sharing can improve its forecasts, leading to an improvement in production planning and a reduction in stock levels. Downstream, this information sharing enables the customer (the grocery company) to eliminate the replenishment orders, because replenishment decisions can be made by the manufacturer. This means that the grocery customer reduces its order process costs and the stock levels (because its supplier's forecasts are better and stock-outs have decreased).

Upstream, the information obtained about actual sales can be also shared with the focal company's suppliers. This improves the suppliers' forecasts, leading to an improvement in their production planning and a reduction in stocks.

The Internet affects this process along the supply chain, not only on the information sharing aspect, but also on the knowledge sharing aspect. The Internet not only enables the supply chain partners to access and share information, but also to access data analysis and modeling to jointly make a better planning and decision making. Decision technologies that offer the access to this knowledge, or the tools to obtain it, will become an important issue in the future. One example of this knowledge sharing is Collaborative Planning Forecasting and Replenishment (CPFR). In these programs, customer, focal company and supplier do not only share information, they also plan together. In a CPFR program a forecasting support system is hold on an Internet server. This support system is updated with data from actual sales and other information provided by the grocery company and the manufacturer and provides the forecasts to the grocery retailer, the manufacturer and its suppliers. In September 1999, Henkel and Eroski (a Spanish grocery retailer) initiated a CPFR program. It resulted in an important improvement in the forecasts of both companies. Before implementing the program,

half of the forecasts had a forecasting error higher than 50%. Nine weeks after the implementation of the program, 75% of the sales forecasts had an error lower than 20% (Jouenne 2000).

The e-fulfillment process

Order fulfilment is related with the effective management of all the activities needed to deliver the order to the customer. At the strategic level, there exists the need to design an efficient supply chain to enable a timely and accurate order fulfilment. At the operational level, the order fulfilment process consists on defining the following activities: generating, communicating, entering, processing, picking and delivering customer orders (Croxtton, García-Dastugue et al. 2001). In a way, this process is about the integration of the manufacturing, logistics and marketing functions to ensure customer satisfaction and reduce total cost before, during and after the order fulfilment. The impact of the Internet on the order fulfillment process has two main aspects. The first one is related to e-commerce and consists on fulfilling the customer orders placed through the Internet. While for customers the Internet has made the placement of orders more efficient, for the selling companies (of physical goods) the order fulfillment has become a critical operation (it is very costly and it is a key operation to obtain customer satisfaction).

(Lee, Whang 2001) comment that to obtain an efficient order-fulfilment, new innovative strategies based on a good use of information and leveraging of existing resources must be applied.

The second aspect is related to the use of the Internet to improve the efficiency of the order fulfillment process for both online and offline businesses. The order fulfillment process requires the access and manipulation of a large amount of data, from customer orders to inventory levels. Therefore, the advantage of accessing and sharing data along the supply chain using Internet technologies can make this process more efficient and less costly. The possibility of all partners in a supply chain to see customer orders on real-time, or near real-time, can lead to a significant reduction of variability and costs and, at the same time, improve the responsiveness of the firm. However, firms can go a little further and use this data to generate knowledge by applying sophisticated analytical tools to anticipate changes and be better prepared to respond to customers' demand. At the operational level, these tools can go from statistical forecasting methods to analyze customer orders, to inventory systems to obtain the optimal inventory, and/or to vehicle routing systems to design the most efficient delivery routes. And, at the strategic level, these analytical tools can be used to design the most efficient supply network.

The directions for further research can enter into one of the following categories: (1) better use of information and the creation of knowledge by using actual and new analytical and decision tools; (2) new strategies applied to the e-fulfillment activities; and (3) more empirical research work, including case studies and business models about the implementation of e-fulfillment.

With respect to the first line of further research, the access to more data and information will put more emphasis in global optimization along the entire supply chain, instead of the usual models that focus on local optimization. More work considering the global supply chain is expected in this area. Also, more models using multi-criteria decision making that reflect the integration and collaboration aspects of the e-fulfillment process should be the subject of future work.

Regarding the study of new strategies for the e-fulfillment activities, one problem that seems to need more research is the so-called last mile. New delivery solutions or strategies that can combine profitability and service are still needed. The use of knowledge management, operations research and simulation techniques will be a must in the solution of this important problem of the e-commerce for physical goods. Further research should also focus on empirical studies, as very few papers on this process are field-based.

The manufacturing flow management process

The manufacturing flow management process deals with making the products and establishing the manufacturing flexibility needed to serve the target markets (Croxtton, García-Dastugue et al. 2001). The process includes all activities necessary for: (1) managing the product flow through the manufacturing facilities, and (2) obtaining, implementing and managing flexibility (Croxtton, García-Dastugue et al. 2001).

The Internet can have a positive impact on both aspects of the manufacturing flow management process. On one hand, the Internet provides the opportunity for demand and supply capacity data to be visible to all companies within a manufacturing supply chain, and therefore, the product flow through the manufacturing facilities can be improved. This visibility allows companies to be in a position to anticipate demand fluctuations and respond accordingly. The main effect of that is to reduce stocks and compress lead times.

On the other hand, the Internet allows companies to be more flexible to respond to changes in demand. The Internet reduces the production cycles due to an increase in the speed of communication. "Companies like IBM, General Motors, General Electric and Boeing are assembling products for which the components are manufactured in many locations ...By using electronic bidding, assemblers get sub-assemblies up to 80 percent faster" (Gudmundsson, Walczuck 1999).

The Internet impacts on the manufacturing flow management process along all the supply chain. On one hand, the Internet can have an impact on how a company manages the internal part of this process. For example, a company can implement an Internet-based production planning system to analyse the production requirements and plans of the different manufacturing facilities the company has. This system would improve the decision-making process of the production planners and sales personnel and would reduce planning inaccuracies. Xiong, Tor et al. (2003) and (Abid, D'amours et al. 2004) developed decision models to improve customer satisfaction by sharing knowledge in the manufacturing flow management. They proposed different collaborative planning systems which could be used jointly with other functional areas, such as sales and marketing. Ko, Kim et al. (2001) proposed a system in which the central planning was developed in collaboration with external manufacturing partners with surplus capacity.

On the other hand, the Internet can have an impact on how the operations of the whole supply chain are managed. Kehoe and Boughton and Kehoe and Boughton suggest that the supply chain will change from an order-driven-lot-sizing approach to one more akin to a capacity-availability-booking approach supported by appropriate Internet search engines. And, Bruun and Mefford 2004 analyzed the impact of the Internet on lean production systems.

Regarding the manufacturing planning and control systems, the academic challenges are to develop alternative business models, as well as to determine the tools and techniques by which the benefits from such models can be demonstrated to practitioners. Further research should also be more empirically based. Finally, researchers should develop more decision models that take into account the global aspects of the supply chain to help improving the manufacturing planning.

The e-procurement process

The procurement process relates a firm with its suppliers and it is a fundamental process in SCM. At the strategic level, the firm must define the corporate, manufacturing and sourcing strategies and identify the products and services that should be acquired from outside. And, at the operational level, all the procurement activities, such as reviewing suppliers, identifying opportunities, and developing and implementing product or service agreements, should be developed and controlled.

The e-procurement process supports the procurement and sourcing activities via Internet technologies and enables an efficient negotiation between buyers and suppliers. We

distinguish two types of e-procurement: marketplaces and B2B. Marketplaces bring multiple buyers and sellers together in a virtual market, meanwhile B2B e-procurement is a one to one relationship.

Since the procurement or supplier relationship process consists on a relationship between businesses and needs a large amount of information sharing and transfer, the use of the Internet has had a big impact on this process. Several firms have implemented eprocurement solutions not only to reduce costs, but also to make more efficient this key process. The major impact of the Internet on the procurement process is certainly on information sharing, since this process involves retrieving, sharing and storing a large amount of data and information. However, knowledge sharing is becoming also a key issue in this process. Firms can apply analytical models to previous data and obtain important information to make better decisions.

I have subclassified the papers on this topic on 5 categories: general aspects of the use of the Internet on the procurement process, marketplaces, e-auctions, B2B procurement, and decision models for procurement decisions in an Internet environment.

The product development and commercialization process

The product development and commercialization process is critical to the success of the firm. It is the set of activities that companies should undertake to successfully develop and launch products. According to Croxton, García-Dastugue this process includes the following subprocesses or activities: defining new products, establishing the cross-functional product development team, designing and building prototypes, determining the distribution channel for the new product, and measuring the process performance. The process includes integrating customers and suppliers into the product development in order to launch the right product and to reduce the time to market. For example, Microsoft used a web collaboration tool to bring the Xbox video game console to market two months ahead of schedule.

What is the impact of the Internet on this process? One of the most important impacts is to enable collaboration among different functional areas and companies. Internet-based product development can make product design a truly collaborative process among designers, manufacturers, suppliers and customers without the limitations of geographical location and time zone. Taking the perspective of a local company, I can distinguish three types of effects: internal, downstream and upstream effects. Internal effects refer to the impact of the Internet on the focal company. The Internet enables the collaboration of different functional units in the new product development process. Downstream effects refer to the impact of the Internet on the relationships with customers: the Internet facilitates the involvement of customers and/or end-users in the design of new products, increasing the response of the company to the customer wants and needs. The company can also use the Internet to study the market in a faster and cheaper way. And, the upstream effects refer to the impact of the Internet on the relationships with suppliers: Suppliers can be involved in the process as early as possible in order to reduce costs and compress the time to market.

The reverse logistics and returns process

Effective returns management is a key process in today's business. The returns policy is one of the most attractive tools to stay competitive (Rogers, Tibben-Lemke 1999). This process includes all the elements in a supply chain and involves decisions on return avoidance practices, gate keeping, disposition guidelines, development of a returns network and flow options (Croxton, García-Dastugue et al. 2001).

How can the Internet help this process? Managing returns involves managing different types of data: reasons for return (defective, in warranty, old, etc.), conditions of the product, point of return, instructions to customers, etc. The major impact of the Internet on this process consists on providing better information and knowledge to all members of the supply chain involved in this process.

Another impact of the Internet on the returns process is related with e-commerce. Ecommerce generates more returns than the traditional commerce (Gentry, 1999, (Meyer 1999). Handling these returns efficiently is, without any question, an important issue for companies selling through the Internet. Not only because the volume of returns is higher in the e-commerce than in the traditional channel, but also because the logistics involved is different.

For example, in the traditional commerce, a customer that wants to return a product (within a few days of having bought it) he just has to go back to the store and return it. On the Internet channel this is different: How should the product be returned? Who should pay for this return? And, what should be the best supply chain structure to recover these products efficiently? It is not clear that the same structures of the direct supply chain should be used. Designing efficient close-loop supply chains is a key element to improve the reverse logistics and returns process, and the Internet can play an important role on this aspect.

In the next future, we expect the development of decision models to solve the problems related to the huge amount of returns associated with e-commerce. Some lines of further research are: the dynamic estimation of expected demand of serviceable returns (Vlachos, Dekker, 2003), inventory models considering returns, production planning including recoverable parts and assemblies (Soto, Lourenço, 2002), routing and distribution systems to handle returns, etc.

Also, the possibility of sharing, through the web, information related to the returns puts more emphasis on developing analytical tools to help decision makers. More studies like the one provided by (Spengler, Schröter, 2003) are expected. Finally, researchers should also focus on the design of closed-loop supply chains that make use of the Internet to manage efficiently the recovery of the return products, as the work of (van Nunen, Zuidwijk, 2004) does.

The impact of the Internet on several supply chain processes

I have classified the papers using a framework based on the idea that SCM is the management of supply chain processes. As (Croom 2005) pointed out very recently, there is some debate about the scope of SCM and one way of dealing with the diversity of SCM definitions is to concentrate on the core processes and functions relating to the management of supply chains (for example, fulfillment, operations planning and procurement).

I defined e-SCM as the impact of the Internet on the integration of key business processes. Future studies should investigate the adoption of Internet enabling tools to facilitate integration along the supply chain. Some aspects to be studied are: in which processes is the Internet most used to integrate with other functional areas and/or supply chain members? In case of differences between processes, which are the reasons of these differences in the level of implementation of Internet enabling tools? Which are the benefits that companies are achieving with the implementation of the Internet in different supply chain processes? I expect more research on this area. In fact, the papers analyzing the impact of the Internet on several supply chain processes have been published very recently.

Supply chain relationships

SMC is “the management of upstream and downstream relationships with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole” Companies strategically segment their relationships and establish arm’s length relationships with some supply chain members and strategic partnerships and alliances with others. The Internet has an impact on how companies manage all type of relationships. For the strategic partnership approach, the Internet enables companies to share information and knowledge, leading to higher levels of coordination and collaboration. And, for the arm’s length approach, firms can benefit from the use of dynamic pricing structures that are web-enabled.

Further research should try to conduct more empirically-based studies in order to analyze which has been the real impact of the Internet on the management of supply chain

relationships. Some lines of future research are: (1) to examine in a greater depth (by extending the sample to a larger number of firms) the impact of e-commerce on relationships; (2) to study it from a dyadic or a supply chain perspective examined it from a single-firm point of view); and (3) to empirically test the relationship established by (Jap, Mohr 2002) between type of relationship (relational or transactional) and the Internet efficiency.

Conclusions

It has been demonstrated that the Internet can have an important impact on the management of the supply chain and it can improve the competitiveness of firms. The literature review undertaken on the topic has shown that e-SCM has been acknowledged as an outstanding topic in the supply chain literature in the most prestigious Operations Management and Logistics journals, especially after year 2000.

The value of this framework is a tool to help researchers synthesize the volume and breadth on what has been done on e-SCM. Researchers are also given some lines of further research.

I expect that the number of research papers in this area will increase significantly in the next years, given the increased interest in SCM and the Internet by academicians and practitioners. Some directions for further research that I have identified are:

- To conduct empirical studies about the impact of the Internet on several SCM processes, such as the reverse and the demand management processes which, so far, have been only considered by a couple of authors.
- Further research should also put more emphasis on conducting empirical studies regarding the implementation of the Internet in the product development process.
- Another important area of research is the application of decision models and technologies on the Internet and the development of Application Service Providers (ASP) to obtain knowledge for the firms belonging to a supply chain. As more and more firms have high quality and real-time information available, the use of these decision technologies will increase, since they add significant value to the members of a supply chain. Although e-fulfillment has been one of the most covered topics there are still some further lines of research in this area: to study new strategies to respond to the challenge of the last mile problem, and to conduct more empirical studies to explore what companies are doing to respond to this challenge and which are the results of the different actions taken. E-procurement has been the most covered topic, especially the subtopics related with marketplaces and auctions. However, I identified some lines of further research related with this topic: to investigate the benefits and barriers of B2B procurement, and to analyze how to strategically segment e-procurement strategies. Finally, despite I found several papers analyzing the impact of the Internet on performance, they did not consider business conditions.

One promising line of further research is to investigate under which circumstances different Internet-enabled supply chain collaboration tools have a higher impact on performance.

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THE KNOWLEDGE GENERATION PROCESS AND CONVERSION OF RESEARCH OUTPUTS INTO PRODUCTS AND SERVICES

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Abstract. *The European Union markets and industries are challenged by the effects of globalisation which impact the technological as well as societal and environmental issues. Studies have shown that, despite the European Union targeted approach to publicly funded research and development, through an increase in the financial envelope in the 2007-2013 programming period, the United States of America have generated a higher rate of inventions and patents in a less financially competitive environment. The current situation in the European Union is underpinned by a lack of professional management of knowledge and intellectual property, cultural differences between the business and science communities as well as segregated markets. Knowledge transfer is of utmost importance for boosting competitiveness and supporting the attainment of the Lisbon Agenda's purpose. Consequently, the area of knowledge transfer must target the improvement of quality rather than quantity of research thus enabling a smooth transition of knowledge in the process of becoming product or service at societal level. Under the framework of the Lisbon Agenda, European Union Member States have been promoting knowledge transfer between the research and business communities. Nevertheless, a sustainable approach to the development of this particular area is the focus on the trans-national level of knowledge transfer rather than the national approach which narrows down the opportunities of addressing global issues.*

JEL Classification: O14, M0.

Key-words: knowledge transfer; research; Lisbon Agenda; globalisation; management; sustainable development.

Globalisation and knowledge generation in the european union

Knowledge and innovation transfer have gained considerable interest in the past programming period as they are primary factors for increasing the competitiveness under the framework of the European Union. The structural reforms performed under the Lisbon Agenda since the year 2000 have underpinned the attainment of an overall objective of the European Union to become a dynamic knowledge-based economy. Following the European Summit held in Barcelona in March 2002, European Heads of State and Government set the goal of increasing Europe's general level of investment in research to 3 % of GDP by 2010, and of fostering the share of research funded by business. Consequently, national level specific programmes underpin the reforms to renew the Growth and Jobs Strategy.

Official data regarding the R&D activities at European level are depicting that the EU-27 growth in the 2001-2002 period stagnated, with a slight decrease tendency. The 2005 figures show that only 1.84 % of GDP was invested in R&D in the European Union, thus scoring below the 3% Barcelona objective⁽¹⁾. Due to globalisation, knowledge transfer and innovation are evenly distributed. Compared to 1993 when EU, US and Japan were accounting for 83% of the overall R&D expenditure, by 2005 the figures dropped to 72%.

One rationale underpinning the low R&D performance in the EU is the in-depth fragmentation of the research system across the Member States. Such a state of facts did not foster a R&D market at EU level to allow free movement of researchers, technology and

knowledge. Consequently, the European research system could benefit from the creation of a unique research pool at EU level.

Key issues in structural r&d reforms

The growth patterns of R&D performances in the EU compared to the US, alongside with the challenges of globalisation has determined the EC to require national level productivity enhancing reforms. Economic performance is underpinned by a variety of macroeconomic policies and structural variables, which are specific for every Member State. Inflation, trade policy, financial market impact on the framework conditions foster sustainable R&D growth. A substantial increase in knowledge investment might increase the potential EU growth rates by between one half and three quarters of a percentage point annually, over a 5-10 years horizon. The knowledge-based economy in the US appears to be more fully entrenched as investments in R&D and education account for 75% of the US productivity growth rate over the period 1950-2003. The differences in EU-US productivity patterns are fundamentally driven by the superiority of the US in terms of its capacity to produce and absorb new technologies, in particular Information and Communication Technologies.⁽²⁾ Nevertheless, the relationship between knowledge investment and generation is relatively complex. Innovative performance among Member States with similar knowledge investment is represented by the roles that main actors play in the process of knowledge generation and exploitation as well as the quality of this actions.

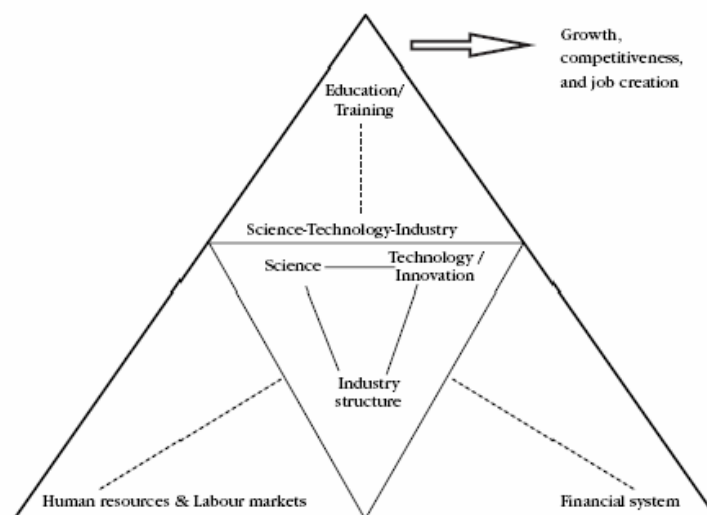


Figure 1. The STI systems
CU CSource: DG Research⁽³⁾

The majority of knowledge transfer between research organisations and private entities takes place between relatively extensive companies. Such considerations are that based on the fact that a sustainable partnership under this framework is less likely to perform in the case of SMEs, despite their considerable diversification and wide range of opportunities offered. Due to less extensive productivity cycles, some SMEs have relatively high-level budgets and tight links with the academic environment. On the contrary, knowledge transfer in most SMEs is limited by pecuniary and human resources reasons. Therefore, the European Union must foster a high rate of knowledge transfer in all types of productivities, therefore enhancing the opportunities of the R&D sector. The knowledge generation process and transfer must be continuously monitored in order to maintain a high level of awareness on the advancements. The pillar of knowledge generation is represented by universities which must be assessed according to qualitative rather than quantitative academic indicators. Therefore, the use of the number of publications or number

of PhDs must be cross-referenced with performance indicators showing the level of sustainability of the quantitative results of the knowledge generation process as well as actual relevance and exploitation of the innovations by the market.

The private sector has a positive impact on R&D knowledge generation and innovation process as shown in overall business cycle. However, during the second half of the mid-1990s, both in the EU and the US there was an increase and then a significant decrease in privately funded R&D. However, there is a relative concern over the way that private R&D investment has evolved over the last seven year span.

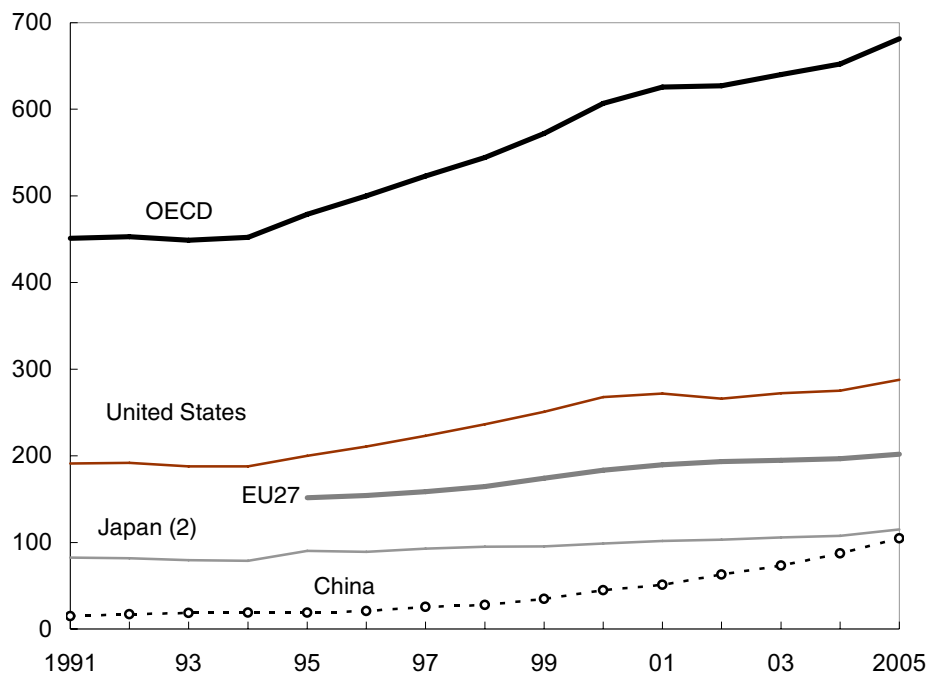


Figure 2. Private R-D investment evolution (1993-2005)
Source: OECD Science, Technology and Industry Scoreboard 2007.

Government level involvement in R&D funding must not be underestimated even though the majority of such expenditure is financed by the business enterprise sector in the EU and the US. High level R&D countries such as Finland, Sweden or Germany are characterised by a high level of involvement of the private sector in funding R&D activities. Such high values are supported by a high-level of government-funded R&D which complements the business investment in the knowledge generation process and innovation. When the level of government-funded R&D is higher than business-funded R&D, the situation entails a low overall level of R&D expenditure at national level. Government funded R&D is critical for creating and developing knowledge in areas deprived by the private sector interest but vital or important for social welfare. This situation only entails a balanced and competitive approach of the knowledge generation process.

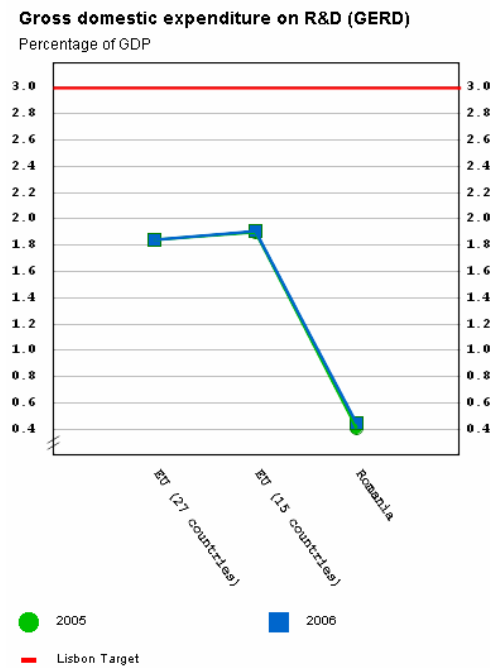


Figure 3
Source: Eurostat

Due to the fact that R&D is a main driver of innovation at EU level, the relatively low R&D intensity of this aspect has depicted a gap. The business sector accounts for the largest part of the overall R&D intensity gap between the EU and its main competitors. The deficit in business-funded R&D represents approximately 85 % of the gap between the European Union and the United States. R&D funded by the government has remained very stable in both the EU and the US. However, it has a lower level in the EU, of 0.64 % of GDP, than in the US, of 0.83 % of GDP. Consequently, public funding of R&D in the EU must reach a higher level in order for private R&D funded activities to consolidate their position further and become a sustainable investment. In the context of globalisation, the knowledge generation process must foster the creation and expansion of new high-technology firms. In 2005, US total venture capital investment peaked at 40 %, a level higher than the amount invested in the EU. Although the number of high-technology companies benefiting from venture capital investment is much larger in Europe, the average investment in a high-technology companies is more widespread, and there is a significant disparity between the US and the EU in the profitability of early-stage venture capital investment, with the average internal rates of return of about 30-50 times higher in the US. Therefore, the main issue for the Community is represented by of the level of development of projects prior to early-stage financing or the demand side. The financing of the commercialisation of technological innovation needs to be addressed in a more systemic way, by improving both the links between universities and industry and the quality of mechanisms and processes for technology transfer.

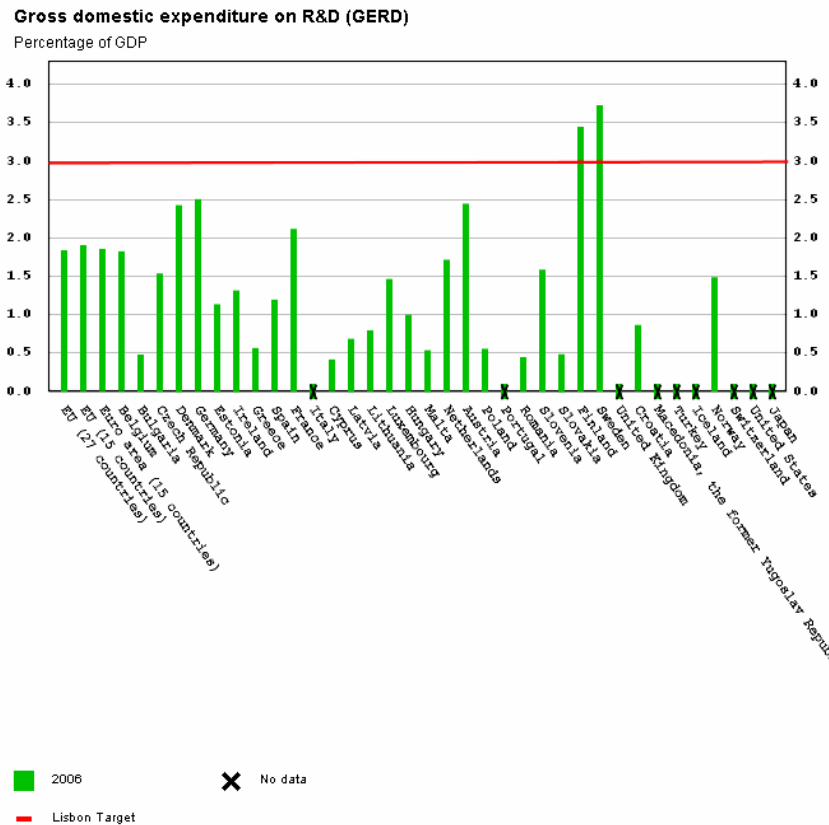


Figure 4

Source: Eurostat.

From the research perspective, the EU is going through a structural growth lagging behind, compared to US productivity. The under-performance is due mainly to faults of knowledge generation process over recent years as well as the rapid rise of newly emerging economies. The EU27 represents a diminishing share in R&D investments accounting for 25 % of the global R&D expenditure and the 29 % investment in the former programming period. Newly emerging economies, mainly Asian, are targeting above the average costs. Since 2003, China represents the main exporter of computers at world level. The increasing importance of newly emerging countries in conjunction with the globalisation of R&D is partly due to fast economic development and rising share in world GDP, but also a significant increase of R&D expenditure as percentage of the GDP.

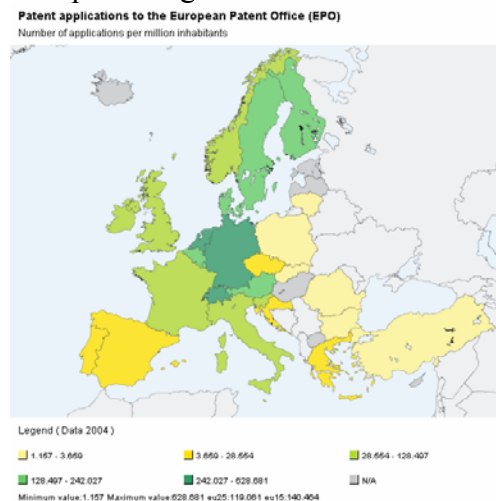


Figure 5

Source: Eurostat

Monitoring the implementation of r&d structural reforms

A relevant CBS study estimates that the introduction of five key measures of the Lisbon Strategy: Services Directive, reduction of the administrative burden, improving human capital, 3 % R&D target, increase in the employment rate has the potential to boost the EU's economic and employment growth rates by at least 0.8 % per year for more than a decade⁽⁴⁾. There is a strong positive relationship between patenting intensity quantified as number of patents per capita and the level of private expenditure on R&D. European countries with high levels of business R&D expenditure relative to GDP, such as Germany or Finland have the largest numbers of patent applications per million population. On the other hand, countries such as the new Member States have both low business R&D intensities and low levels of patenting activity mainly due to a failure to provide a performance based knowledge generation process.

Total European patent applications

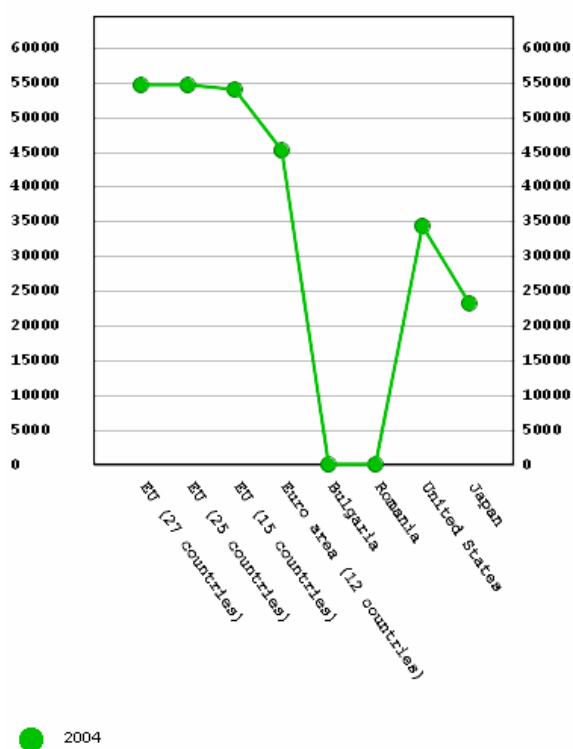


Figure 6

R&D human resources, and namely researchers, are key indicators for its dissemination and development as they are the exponents of the human resources going directly into R&D activities. In 2005, the EU employed more than 2 million R&D personnel. Germany and France were the most important R&D employers in the EU, with more than 40 % of the EU's R&D personnel employed in these two countries. In the new Member States' group, the main countries employing R&D personnel were Poland, Romania and the Czech Republic. In both Malta and Romania, most of the R&D personnel were employed in the public sector. This is in contrast to most of the other Member States, where the private sector accounted for the highest share. Of the two million R&D personnel in the EU, approximately 60 % are employed as researchers defined as professionals who are engaged in the generation of new knowledge, product, service, process, methods and systems.



Figure 7

Conclusions

The globalisation of R&D is an issue which must be approached through a sustainable development perspective. Large firms are able to finance most of their R&D and innovation effort internally. On the other hand, entrepreneurs must be granted access to external financing for business plans which require a relatively high investment risk and where the expected returns may only be realised on a long-term basis. Venture Capital can play a critical role in the creation and expansion of R&D-intensive SMEs whose research requirements generate knowledge services. By supporting the creation and expansion of new high-tech businesses, venture capital fosters the commercialisation and dissemination of research outputs and enhances the exploitation of existing scientific and technological know-how. In this sense, venture capital is crucial for the creation and expansion of the knowledge-based economy.

In new Member States characterised by a low R&D expenditure, such as Romania, government specific investment accounts for a much larger share of the funding than in countries with a mature R&D market, where it represents a small share of business R&D funding. The increasing use of fiscal incentives to encourage R&D activities allowed private companies to reduce tax payments and the cost of research. In general, fiscal incentives have evolved progressively in the EU since the beginning of the 1990s, even though individual Member States have targeted approached to the issue. Moreover, the trend towards more fiscal stimuli has accelerated over the past five years which resulted in a policy mix.

A thorough attention must be given to the quality of the knowledge generation process which has the tendency to be issued in a quantitative rather than qualitative manner. Failure to meet performance innovation criteria translates directly into the impossibility to obtain funding for R&D and therefore relying solely on governmental aid for covering the operating expenditures. Nevertheless, developing synergies between the European, national and regional

policy is a must in order to generate a sustainable and sound mechanism of generating knowledge and disseminating its outputs. Innovation and globalisation are the two major resources for economic performance as they directly impact on productivity, job creation and societal welfare. Consequently, specific policies must be in place to approach this challenge.

Notes

1. "Overall spending on R&D and innovation in the Union should be increased with the aim of approaching 3% of GDP by 2010. Two-thirds of this new investment should come from the private sector." European Commission, "Presidency Conclusions: Barcelona European Council, 15 and 16 March 2002," SN 100/02, Brussels, Sheehan & Wyckoff (2003).
2. European Commission (2004), *EU Economy Review 2004*, Brussels
3. Adapted from Amable B., Barré R. et Boyer R., 1997, *Les systèmes d'innovation à l'ère de la globalisation*. Economica, Paris. Freeman C., 1997, pag. 127
4. Gelauff, G.M.M. and Lejour, A.M. (2006), *The new Lisbon Strategy. An estimation of the economic impact of reaching five Lisbon Targets*, (Industrial Policy and Economic Reforms Papers nr. 1), CPB Netherlands Bureau for Economic Policy Analysis, The Hague, January 2006.

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DOES THE OPEN METHOD OF COORDINATION HELP DELIVERING LISBON?

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Abstract. *The EU's economic ambition can be summarised by the main goal of the Lisbon Strategy (2000) [What is this main goal? Briefly state it here]. The initiators of this strategy agreed upon the necessity of a plan, to solve some issues that were left behind in the process of European integration (education, R&D, innovation, labour markets, welfare of consumers) at a time, when the depth of the integration process and economic growth had the lead. EU problems were related to an increased number of participants on the EU Labour Market and a slowdown in productivity (not necessarily implying a lower rate on investment in ITC). Therefore, new policies were needed, in areas like employment and competitiveness, and also a requirement for an efficient Open Method of Coordination (OMC) between the member states and the European Commission, as economic growth and jobs were vital for reaching sustainable development.*

JEL Classification: F53, F55, F59.

Key-words: open method of coordination (OMC), Lisbon Strategy; European Union.

General aspects

The EU economic ambition could be summarised by the main objective stated in the Lisbon Agenda (2000): EU should improve its competitiveness, without damaging the social and economic cohesion, or the environment.

The European Commission, as initiator of legal projects and "guard" of the Treaties, has little power to sustain the needed reforms, that lead to reaching EU's ambitions. The instrument of the Lisbon Agenda (LA), the Open Method of Coordination (OMC) should ensure a collaboration and interdependence between the European Commission and the member states, but also to maintain the political enthusiasm that initiated the Lisbon Strategy (LS).

In the opinion of Mr. Kok and Mr. Barroso, the OMC did not achieve its goals yet (did not deliver): a high degree of collaboration on both national and supranational level of the member states.

Looking back on the progresses the member states and candidates achieved in reaching the main LS objective and also based on the "Mid – term Review", the President of the European Commission, Jose Manuel Barroso, concluded that the EU should focus more on its economy (he named it the EU's "sick child"⁽²⁾). The concentration on the EU economy, mainly creating growth and jobs, should not, however, leave on a secondary level the other areas that were mentioned in the LS: social cohesion and environment. On the top of the EU policy agenda was the economic performance (even though, the LS was considered to be overly ambitious or/and ineffective) and the need to reform various markets and government policies. Without these reforms, made to "boost" the economic performance, the EU might face collapse. The LS took into consideration areas that were somewhat left behind on a community level, at a time when the ITC peaked: education, research, innovation, the labour market or welfare of consumers. Learning on the experience of the previous decades of integration of the community institutions – that worked at a national and supranational level

and provided the efforts to sustain the necessity of reform, the heads of state and government of the member states focused on needed reform of the labour market.

The fact that the EU economy (basically growth and jobs) needs more attention on short term base could have negative influences for the social cohesion and environment on the long term. The economic expansion contributes to maintaining a social cohesion and environment, but the structural trade-offs among the central elements of the LS cannot be avoided, unless policy changes are made (such as pricing pollution). Higher productivity doesn't make room for the governmental manoeuvres and this could lead to higher taxes and public expenditures (the public sector wages and the social security benefits are linked to productivity). To engineer the increase in employment, changes in welfare-state arrangements are needed.

The main issue is the fact that, even though there is an increased participation on the labour market (during the last 18 years) and the productivity per hour is high in many EU member states, the rate of productivity growth, has fallen since the '70 and especially the '90. However, this slowdown does not necessarily mean that the investments in knowledge have been decreasing, but the high level of productivity of the past decades (starting from the '60) was also generated by imitating and implementing state-of-art-technologies.

Compared to the EU, the USA faces a growing rate of productivity, due to an intense use of information and communication technology (ITC) in services. In present, in order for the EU to overcome this slowdown, more investment in knowledge is needed (R&D, education, ITC, innovation).

In a nutshell, Lisbon was about improving the economic performance of the EU (an increased level of growth and raise productivity), but after the release of the "Mid-term Review" (2005) it concluded that the relative position of the EU in the world economy was not changed, hence several proposals to rejuvenate the LS were made, by Mr. Wim Kok in his Report and was supported by Mr. Jose Manuel Barroso. First, the LS 2 should focus on growth and jobs, in order to achieve sustainable development and for financing the EU member states a long run. Second, the reform is needed, because the lack of progress in reaching for the LS goals, resides in the lack of political will to reform of the member states. To fulfil the goals of the Lisbon Agenda (also its main objective: reaching the most competitive and dynamic knowledge based economy of the world, by 2010) a large variety of political and economic measures were taken: the community law system faced changes, new goals and benchmarks were established, in order to realise a monitoring and evaluation of the member states (old and new) and of the candidates, including Turkey. The necessity of reform was pointed out, in order to intensify the EU competition, to restructure the labour market, to consolidate the social cohesion and to assure a compatibility of the economic and environmental policy.

But, after the Wim Kok Report and a thorough analysis of all the member states and candidates, according to the eight Lisbon Criteria, the results were less than expected, also compared to the USA (which reached high scores in most of the dimensions). Compared to the USA, the EU faced a disadvantage because the US sustained the development of knowledge, mainly in the technological area, compared to EU that registered a slower rate of development.

The LA was considered to be ambitious, yet comprehensive and in a constant need of sustained efforts, for many years, in order to realise its goals. Therefore, the initial political enthusiasm should be brought back. The proposed reforms should be fulfilled as soon as possible and the new member states are not to be left out. This way, together with the enlargement, also the economic growth and competitiveness can be realised.

The member states have to adopt National Action Plans (NAP), responsible for increasing the rate of growth and the number of jobs, alongside with measures that provide the implementation of the much needed reforms at the same time in all member states, making the process less painful. The OMC would prove its necessity and effectiveness in bringing commitment, changing the national perspectives into an overall EU viewpoint and maintaining the initial political enthusiasm that characterised the LS.

Action-taking, after 5 years

After the release of the Mid-term Review, in 2006, the European Commission proposed 10 priorities for action, at a communitarian level⁽⁴⁾:

- Establishing an innovation- friendly education systems
- Establishing an European Institute of Technology
- Working toward a single and attractive labour market for researchers
- Strengthening research-industry links
- Fostering regional innovation through new cohesion policy programmes
- Reforming R&D and innovation state aid rules and providing a better guidance for R&D tax incentives
- Enhancing intellectual property rights protection
- Digital products and services-initiative on copyright levies
- Developing a strategy for innovation friendly “lead Markets”
- Stimulating innovation through procurement.

The LA is considered to be, alongside the European Commission's budget and the Euro, a part of the EU economic architecture, so its structural reforms should be seen in the context of the economic governance of the Union, which faces three simultaneous challenges:

1. the financial perspective: 2007-2013
2. the future of the Stability and Growth Pact
3. the implementation of the LA.

According to Mario Monti, the main problem the LS had to face was the “disconnection from the other two pillars of the EU economic governance”.

The LA suffered from a lack of effectiveness in the implementation and delivery, caused by wrong OMC: it would be more appropriate to set some EU-wide objectives and allow national autonomies to translate them into actual measures and to implement them, than using a hybrid combination of the intergovernmental and supranational Community Method.

The implementation gap can be explained by a partially misguided approach, caused by the fact that, in spite of the existence of a long list of reforms, the productivity rates have changed little over time.

Compared to the USA, the EU has a more open economy, concentrated on external stability and savings, while the USA focused on domestic growth via consumption. This situation could cause tension between the national and EU economic objectives which the LA needs to address and it points to the necessity of reinforcing and maintaining a macroeconomic dialogue and coordination among the member states, including social partners.

Since the '80s, a better economic performance was needed for the EU policy-making on a long term, in order to fight the negative effects caused by the “euro-sclerosis” (the Single Market Programme and the “Padoa-Schioppa Report”⁽⁵⁾ -1987- both were created to help fighting these effects). For the LA a similar perception was used, despite some differences that can be spotted.

	Single Market	Lisbon Strategy
Final Scope	– integration and economic growth	– economic growth, social cohesion and employment
Intermediate Objectives	– reducing the purchasing costs for goods and services at a communitarian level	– advance in the innovation and education processes – higher investment for R&D – higher degree of employment – liberalisation of the industrial services
Means	– elimination of all existing barriers – legal harmonisation	– the definition of common tasks monitoring each other – the evaluation of the successes by achieving the proposed goals
Instruments	– directives, based on the decisions of the national Courts	– national measures (tax-paying, legal or budgetary)

Figure 1. Compared analysis between the single market and the LS

Source: G. Drăgan (2005)

The OMC

The OMC is a new regulatory method that points out the noncompulsory character of rules (insisting on flexibility and openness), the plurality of actors involved and is considered to be in contrast with the main characteristics of the traditional “community method” (Barbier, 2004). This method exists in fields that can lead to the achieving of the objectives stated in the Lisbon Agenda (such as employment, social areas like inclusion, pensions, education, but also enterprise policy, innovation and research policy, together with environmental issues, immigration and asylum). Even though it has a great variety of fields to cover, the OMC works differently in each one of them, depending on their objectives. The monitoring process of the Commission, the implementation procedures and the evaluation rhythm of these areas, also influences the way the OMC works.

The “OMC” as a label was introduced at the Lisbon Council, in 2000 and before that time, the BEPG helped the EES to work (Barbier, 2004).

What the employment and social fields concern, the OMC is complementary to the EU legislation, European collective agreements, social dialogue, or structural funds. Until now, the OMC has proved to be best developed in the area of European Employment Strategy (EES), where the assessments as to its’ functioning are most numerous.

Through the OMC, the Lisbon Strategy decided to move national employment policies in a certain direction, such as: activation policies, increasing employment rates and to combine flexibility and security elements in employment contracts. The OMC was designed as a new working method for the member states, to help reaching the stated Lisbon Agenda objectives and it involved, alongside the enlargement of the EU agenda on sensitive issues (like employment, innovation or social inclusion) other advantages like: fixing timetables and guidelines, to help the EU to achieve them, establishing quantitative and qualitative indicators and benchmarks, translating these European guidelines into national and regional policies (through specific targets and measures) and a periodic monitoring and evaluation, from the European Commission.

Regarding the principle of subsidiarity, the OMC applies a “fully decentralized approach”, but it will imply a partnership between the European Commission and various national actors: social partners, companies and NGO’s⁽⁵⁾.

Put in a nutshell, the OMC is in essence, a closed loop control system. First, the common goals are agreed upon, then the policies to follow are designed and implemented and afterwards, the results are being monitored, the feed-back generating revised policies (Goetschy, 2003).

The OMC is the logical approach to achieve the common EU ambition, initiated by the main objective of the LS. Even though it does not impose a single, European vision of the ideal welfare state design or other policy areas, it is considered to be a “mean of spreading best practices and achieving greater convergence towards the main EU goals” (EC, 2000).

Regarding the OMC, the opinions are divided, because it is considered to be a new governance architecture (Radaelli, 2003)⁽⁶⁾, or whether it is even a policy instrument (even though it is part of the EU arrangements, the ways to enforce compliance are limited at the best). At EU level, no competences are being delegated; the European Commission and European Parliament play only a small part.

There is another problem: the OMC seems to exist in every policy area, but is not harmonised: in some it is a weak, while in other areas, there is a strong coordination, balancing from clear guidelines (like the BEPG case) to broad objectives (the pension's situation)

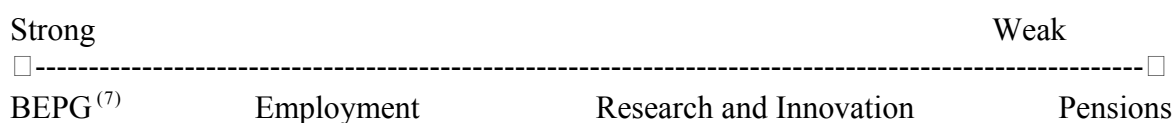


Figure 2: The relative degree of coordination of the omc in different policy areas

Source: S. Everdeen, A. van der Horst, P. Tang (2005)

The fact that the OMC has developed so differently, fits well with the principle of subsidiarity at EU level, but the question arises as to whether EU interference with national policies in some areas (for instance the two areas that are central in the renewed LA: growth and jobs) is even necessary. Once a member state finds itself in the position of full employment (or cannot lower the structural unemployment further) it cannot benefit from more jobs in another state, by raising exports and production; so the EU Labour Markets are hardly interdependent because it has only a marginal structural effect on production in one country and relative prices in other countries.

The idea behind the OMC states that if in one country exists economic performance, it has a positive influence on the other performances of other countries. So, the OMC can help policies by stimulating knowledge investments, or to support innovation, or the environment. Even though it is not harmonised (meaning same guidelines or objectives) and the existence of a decentralisation of the targets at a national level, the introduction of NAP's might lead to a better coordination. These NAP's and the existence of Mr/Ms Lisbon should improve the informal sanctions when a member state's contribution to growth and jobs is below par.

Even though it might work better if harmonised, the fact that the OMC exists in a wide range of policies (from BEPG to pensions) helps the member states to achieve the LS main goal. But it is not possible to apply to growth and jobs the same governance method, because in areas with strong spillovers (like growth) the OMC failed, while in areas of weak spillovers (jobs), it contributes by fostering mutual learning.

Conclusions

The OMC was needed to help achieve the LS goals, but the fact that it lacks on harmonisation, makes it more difficult for the communitarian actors (the EU Institutions, mainly the European Commission and the member states, NGO's, enterprises and social partners) to manage it. Even though the LS goals are focusing on growth and jobs, this OMC that exists also in social policies and other areas like innovation and pensions, helps creating a better management at a national and supranational level.

However, the very existence of this OMC at EU level developed new political and administrative activities that have a great influence on national policies and national systems of social protection. The Member States will lead their employment and social policies in a common

direction, and need the monitor of the European Commission. Even though, it is not completely working, at the wished level (both EU and national), the OMC is not meant to substitute the national policies, but to complete them, to help them realize the main Lisbon objective “creating a competitive and dynamic knowledge-based society”, in the nearest future.

Notes

1. Wim Kok Report
2. S. Everdeen, A. van der Horst, P. Tang (2005)
3. Proposals based on the European Commission’s Vice-president, Günther Verheugen presentation “Putting Knowledge into Practice: a Broad-based Innovation Strategy for the EU” (12940/06).
4. „The Padoa-Schioppa Report” was based on a three pillars theory and started at a theoretical level, a sustained economic growth. The pillars were: the Single Market- for a better economic efficiency, an efficient monetary system -to achieve a monetary stability, a common, enlarged budget- to sustain an economic cohesion.
5. Par. 38, Lisbon European Council conclusions, 2000.
6. S. Everdeen, A. van der Horst, P. Tang (2005)
7. Broad Economic Policy Guidelines

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THE ECONOMIC RATIONALE OF REGULATORY POLICIES IN ELECTRONIC COMMUNICATIONS

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Abstract. *In today's technically complex and dynamic electronic communications sector there is a need of coherent economic regulatory policies to drive forward competition, investments and innovation. Moreover, transparency and predictability of these policies are crucial to increasing business confidence in the sector and to reducing regulatory risk.*

This article draws on the latest developments in regulatory theory and practice and uses mainstream economics, competition-law economics and network economics concepts in order to articulate a structured conceptual framework to help increase transparency of the present regulatory practices to a larger audience.

The first part of the article provides a diagnosis of the electronic communications sector, discussing its main characteristics, the trend towards deregulation and the ongoing need for regulation, the definition of markets and the interrelations between them, the persistent bottlenecks and the strategic variables controlled by the dominant players and, finally, the remedies used by regulators to meet their basic objectives.

In its second part, the article discusses the theoretical grounds of regulatory practices and shows how economic ideals such as "social welfare", "allocative efficiency", "productive efficiency", and "dynamic efficiency" relate to the regulatory objectives and drive regulatory policies. Concepts such as „ladder of investments", "effective competition", and "emerging markets" are also used in order to explain the tension between the two main regulatory objectives (namely, promoting competition and fostering investment and innovation) in the new, fast moving electronic communications sector.

JEL Classification: I30, I10, I20

Key-words: European regulatory framework for electronic communications; regulatory policies; social welfare; efficient competition; relevant markets; ladder of investments; regulatory remedies.

The regulatory system in electronic communications

In markets where the rights and interests of consumers are prejudiced, competition is dysfunctional or investments are discouraged, the law mandates electronic communications regulators to intervene by imposing rules meant to determine the market players to act in a way that cures such dysfunctions or prevents from them further happening. To achieve this goal, the regulatory policies employed by national regulators need to be grounded in economic theories which, based on a detailed understanding of market particularities, can define the ideal desirable future (industry direction and milestone objectives) and the regulatory tools (remedies) that need to be used to determine transition from the present state to the desirable future. Regulation should gradually be eliminated as the markets start to function properly and remedies are no longer needed to prevent re-monopolization.

Particularities of the electronic communications sector

Despite the rapid technological evolution in the last decades, the electronic communications sector still has a number of particularities that are blocking the development of efficient competition. Many of them are similar to the ones affecting public utilities sectors such as electricity, water or railway transport. At the same time, the electronic communications sector is moving away from public utilities as it enjoys rapid adoption on innovation, increased competition and clear improvement in consumer benefits.

Table 1

Particularities of competition in the electronic communications sector

ELECTRONIC COMMUNICATIONS	PUBLIC UTILITIES
Particularities that block development of competition	
Legal monopoly in the past; de facto monopoly in the absence of regulation	Yes
Scale economies due to very high fixed costs	Yes
Economies of scope: the same equipments are used to provide many services, offering cost advantages and the opportunity to cross subsidize prices in the more competitive markets	No
Dominant players are vertically integrated and keep control of essential facilities. They can discriminate between the access terms offered internally and those offered to their competitors	Yes
Dominant players offer „service bundles“ which cannot be replicated by competitors if the necessary unbundled inputs are not available on the wholesale markets	Yes
Market entry requires high sunk investments. This creates a high barrier to both entry and exit	Yes
Dominant players have inherited valuable, long lasting, assets, which are often fully depreciated. They provide attractive cash flow streams reducing the incentives to invest to replace them with newer, more effective technologies	Yes
Network industry with large numbers of captive users. In the absence of cost based interconnection, new entrants cannot replicate the network effects of the incumbents	No
Control over the access network give incumbents the opportunity to leverage their market power onto many other electronic communications markets	Yes
In the absence of regulation, the market forces are not powerful enough to determine the evolution towards efficient competition	Yes
Particularities that stimulate development of competition	
Fast technological progress based on rapid adoption of innovation	No
Technology convergence: fixed and mobile voice, data and broadcasting networks can provide any combination of fixed and mobile telephony, data and multimedia services	No
Telecom and IT convergence, the disruptive impact of the internet over traditional electronic communications markets	No
Rapid growth and structural changes in the electronic communications sector	No

The legal objectives of regulation in electronic communications

(1) The main objective of regulation is to *protect the long term interests of consumers* regarding prices, quantity and diversity of choice.

(2) The main objective will be achieved through *promoting competition*, although other objectives can be pursued at the same time to achieve social goals such as Universal Service. In the absence of competition, the effects of regulation should be similar to the effects of competitive market mechanisms.

(3) Regulation should *encourage investments in infrastructure and rapid adoption of technological innovation* in order to increase availability and quality of services.

This paper discusses the economic rationale of the main regulatory objectives and the underlying tensions between them.

Diagnosis of the electronic communications system from regulatory perspective**The electronic communications sector and the markets for electronic communications**

The concept of “sector” is useful for separating the scope of the regulatory policies in electronic communications from other sectoral policies. However, intra-sectoral economic policies are intrinsically related to “markets”. The economic rationale of regulatory policies is therefore based on microeconomics. When one speaks of “competition in the sector” one actually means “competition in the markets within the sector”. Each market in the sector is therefore a distinct area of interest for the regulatory policy from both static and dynamic perspective, as well as from the perspective of interactions with other markets.

A broad definition of market could be: “a homogeneous economic space where demand for services that satisfy certain needs meets the offer of such services”. However, such a definition is not specific enough to identify the *boundaries of markets which are “relevant” for the purposes of defining the regulatory policy.*

Relevant markets

Starting from the its broad definition, “the market” can be defined, on one hand, by looking at all the available solutions for satisfying the needs of the consumes considering demand and offer substitutability - that is “the product market” and, on the other hand, by looking at the boundaries of the geographical space where the offer meets the demand – that is „geographical market”.

When speaking about “the product market”, substitutability means, on one hand, willingness of consumers to substitute one service by other services that satisfy the same need (“demand substitutability”) and, on the other hand, willingness of service providers to start offering immediately alternative services that satisfy the same need (“offer substitutability”), in case of a small but significant price increase.

When speaking about the “geographical market”, substitutability means, on one hand, willingness of consumers to buy alternative services offered by service providers from another geographical area (“geographic demand substitutability”) and, on the other hand, willingness of service providers from other geographical areas to start offering immediately alternative services that satisfy the same need (“geographic offer substitutability”), in case of a small but significant price increase. In electronic communications, the geographical market dimension is usually defined by network or infrastructure (i.e. ducts, masts) coverage, license area or service availability as determined by access and interconnection agreements.

The relevant market for the purposes of defining the regulatory policy is therefore a homogeneous economic space having both a “product dimension” and a “geographical dimension” which are mainly defined by consumers’ willingness to substitute certain services considering their perceived utility and price. Both the “product” and the “geographic” market dimensions are also determined by “offer substitutability” in as much as its effects on market price are similar to those of “demand substitutability”.

Specific relevant markets

Identifying relevant markets is very useful for understanding the electronic communications sector. However, not all markets require regulatory intervention. Some markets already enjoy effective competition, while others enjoy rapid structural changes and quick adoption of innovation making them evolve naturally towards effective competition. Finally, some markets function efficiently without regulatory intervention, provided that regulatory remedies ensure proper functioning of certain closely related wholesale markets. Considering the principle of minimum intervention, regulatory policies need to carefully assess each relevant market and target only those *markets which have certain specific characteristics that make them require regulatory intervention.* All markets which don’t have such specific characteristics should not be touched by regulation.

The specific relevant markets requiring regulatory intervention are those relevant markets which, in the absence of regulation, are affected by fundamental competitive dysfunctions such as (re)instatement of enduring monopolies. *Specific relevant markets* have all the following 3 characteristics (1) high barriers to entry (2) lack of a healthy dynamics that determines natural evolution towards competition, in the absence of regulation, and (3) competition law is not sufficient to prevent market power abuse.

Types of relevant markets

Understanding each specific relevant market, inter-relations between them, and their perspectives for evolution is at the core of market analyses aiming to identify the *specific relevant markets.* To this end, it is useful to distinguish several types of relevant markets:

I. Considering the position in the service delivery (production) chain: (1) *wholesale markets* and (2) *retail markets.* The electronic communications sector is structured vertically in several activities which are, or can be, performed as stand alone businesses. The outputs of such upstream activities are inputs of other downstream activities end they are, or can be

traded in specific wholesale markets. Examples of primary, upstream activities are network deployment and operation, while examples of downstream, final activities are retail delivery of services to consumers.

II. Considering the ties between markets: (1) *independent markets* and (2) „*tied*” *markets*. The same consumers are buying various electronic communications services such as telephony, Internet access and TV content. Although such services are provided in independent markets they are often bundled together, making it difficult to compete to providers who cannot offer their own complete bundle at a competitive price. This is an example of „*horizontal tying*”. Wholesale and retail markets are „*tied vertically*” by the corresponding outputs-inputs between them. Finally, when the same network can provide several services, the same wholesale outputs can be inputs for several upstream services provided in horizontally tied retail markets, which is an example of „*complex tying*”. Such ties have an important effect over competition in each market.

III. Considering maturity and dynamics: (1) *traditional markets* and (2) *emerging markets*. Emerging markets are young, fast growing markets which have appeared, in most cases, as a result of technological innovation. It is impossible to predict the future shape and structure of such markets, therefore regulating them at emerging stage would arbitrarily determine their development path and interfere with the principle of letting markets decide what the best way to satisfy social needs is.

Dysfunctions of specific relevant markets and interconditioning between them

Specific relevant markets are markets with high barriers to entry, dominated by providers with significant market power that can abuse their position and block market entry or set prices independently of competitors and consumers.

In order to develop a consistent regulatory policy in each market considering the entire system of markets in the electronic communications sector, the policy maker needs to look at (1) *market structure and ties between markets* (Table 2) and (2) *effects of strategic levers which are available to providers with significant market power over competitors and consumers* (Table 3). By putting together the conclusions of the two approaches one can draw a map of the competitive dysfunctions in the electronic communications sector in a particular region (country) and at a particular point in time. Figure 1 shows a fragment of this map which covers possible market dysfunctions generated by vertical market power leveraging. (ERG)

Table 2

Dysfunctions of specific markets

Structure of markets	Dysfunctions of competition
Single market dominance	Blocking market entry/Exploitative behavior/Productive inefficiency
Vertical leveraging	Denial of access/Abuse through non-price strategies/Abuse through pricing strategies
Horizontal leveraging	Bundling/Cross-subsidization

Dysfunctions of competition facilitated by the structure of the markets

Table 3

Strategic levers	Methods of employing the strategic levers	Effects
Information Time Quality Service design Bundling Contractual terms Contractual partners Investments Cost Price Termination tariff Price discrimination	denial of access/denial to provide information/unfair use of information about competitors/delaying tactics /quality discrimination/strategic product design to increase the cost of competitors or the switching cost of consumers/bundling/contractual terms designed to increase switching cost/abusive contractual terms/exclusive deals/collusion/reduced investments/high costs/price discrimination/cross-subsidization/predatory pricing / excessive pricing	„Margin Squeeze” Increased costs / restricted competitors' sales First mover advantage ⇓ Market monopolization ⇓ Allocative inefficiency Productive inefficiency ⇓ Decreased social benefits

Dysfunctions of competition facilitated by the strategic levers available to providers with significant market power

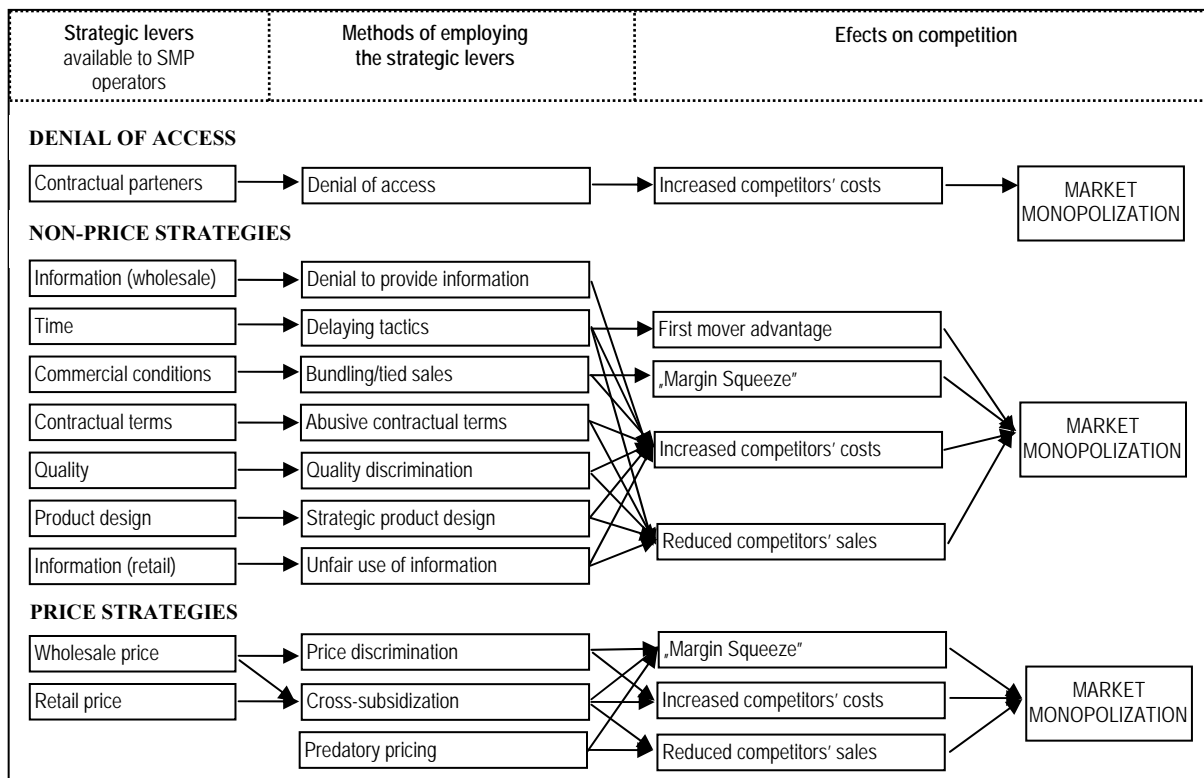


Figure 1. Map of competitive dysfunctions in the electronic communications sector – vertical leveraging

THE economic rationale of regulatory policies

As shown above, the electronic communications sector can be affected by various specific dysfunctions. It is the legal objective of the Regulatory System to prevent such dysfunctions from materializing. The law, however, sets out only a set of high level objectives which are too general to be used as a practical tool for the day to day regulatory actions. In order to give a consistent interpretation to the legal regulatory objectives and lay down a solid foundation for all regulatory actions, both a thorough understanding of the economic rationale of the legal regulatory objectives and a clear cut regulatory policy stemming out of this economic rationale are needed.

The ideal goal of regulation – maximizing social welfare

The concept of “social welfare” is rooted in the utilitarian view of the economy and market mechanisms. It refers to the sum of the preferences of all the members of the society considering a set of possible options. At a more practical level, “maximizing social welfare” means employing the existing resources in a way that satisfies to the largest extent the cumulated preferences of the members of society. From a different perspective, “maximizing social welfare” also means a fair distribution of the social benefits among the members of society.

The economic objectives of regulatory policies

The legal objectives of regulation have at their basis both economic objectives of *efficiency* which aim at maximizing the social welfare and economic objectives of *equity*, which aim at achieving a fair distribution of the social benefits among consumers and service providers. (The social regulatory objectives of consumer to consumer equity are not discussed in this paper.)

A regulatory policy fit to ensure the optimal development of the markets in the electronic communications sector in the short, medium, and long run, needs to accomplish both *static* and *dynamic* efficiency objectives.

(1) *Static efficiency* means putting the existing resources and technologies to the best

possible use. Static efficiency is maximized when competition puts pressure prices, forcing the service providers to reduce their costs, without replacing the existing technologies. Static efficiency has two components: “allocative efficiency” and “productive efficiency”.

(1.1) *Allocative efficiency* is maximized where competition puts pressure on prices, shrinking the margins and driving the prices down towards marginal cost.

(1.2) *Productive efficiency* is maximized where competition puts pressure on prices, forcing the service providers to cut their costs both by reducing the volume of inputs and by employing the most efficient mix of inputs.

(2) *Dynamic efficiency* means adopting innovations and new technologies which leads to cost savings and increased utility of services. Dynamic efficiency reshapes the cost and utility curves, therefore it redefines allocative efficiency and productive efficiency.

Several studies (Hausman) show that innovation-driven competition (dynamic efficiency) often leads to higher social benefit gains than price-driven competition which cuts the margins (allocative efficiency) and costs (productive efficiency) down to efficient levels. Figure 2 shows the effects of allocative, productive, and dynamic efficiency in terms of social benefits.

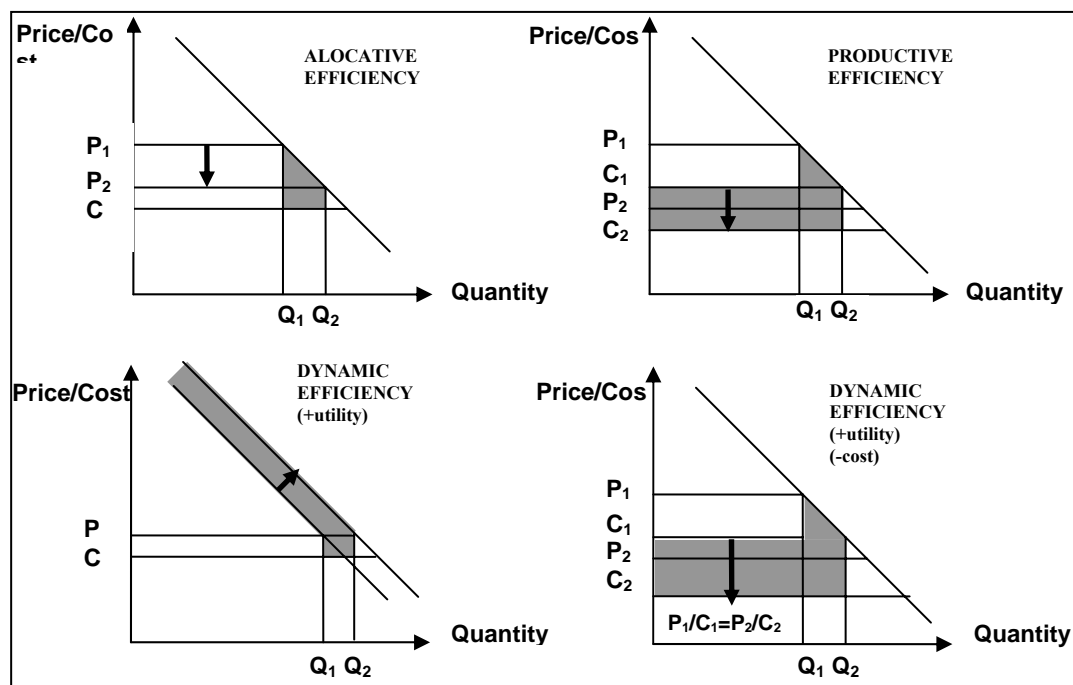


Figure 2. Social benefits of static and dynamic efficiency (OPTA, 2005)

While increased competition always improves static efficiency (both allocative and productive), dynamic efficiency it is driven by both competitive threats and by the financial returns expected by the companies investing in new technologies. Under monopoly, incentives to innovate and invest in new technologies are low. By contrast, competitive markets stimulate investments in new technologies, as long as service providers can get a competitive advantage through superior service features. However, a highly intense competition which quickly cuts into the margins obtained as a result of introducing innovation discourages investments, as service providers face a high risk of not being able to recover their investments together with a reasonable return on capital employed.

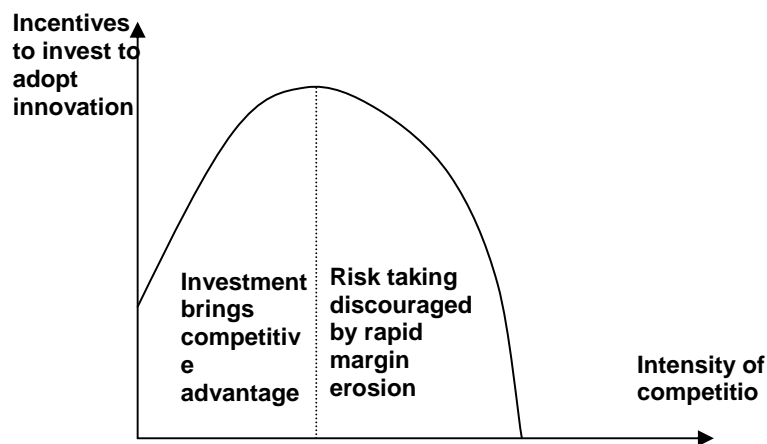


Figure 3. Effects of competition over incentives to invest in new technologies (Aghion)

The tension between intensity of competition and incentives to invest in new technologies is less visible in electronic communications than it is in IT due to the surviving traditional markets, characterized by high sunk costs, long investment cycles, and limited service diversity. However, in emerging markets such as “IP”-based communications this tension becomes extremely relevant.

Going back to the legal objectives of regulation, we can now point out that, in economic terms: “*promoting efficient competition*” aims at maximizing allocative and productive efficiency, while at the same time providing the prerequisites for increased investments and adoption of new technologies; “*encouraging investments in infrastructure and rapid adoption of technological innovation*” aims at maximizing dynamic efficiency; “*protect the interests of consumers*” aims at maximizing efficiency in the short, medium, and long run, while safeguarding economic and social equity objectives of having a fair distribution of social benefits between service providers and consumers, on one hand, and different consumers on the other hand.

The regulatory objectives laid down in the European Commission Directives aim at maximizing social welfare through a series of distinct economic efficiency and equity objectives. Harmonization and prioritization of these implicit economic objectives is done by the national regulators through national regulatory policies. Such policies aim to ensuring that the national markets generate the highest level of “social welfare” as it was implicitly defined (in terms of dynamics and equity) by the political will of the European citizens laid down in the European Commission Directives.

Tools that can be employed to meet the regulatory objectives („regulatory remedies”)

Regulatory tools (“remedies”) have both a legal and an economic dimension. They are strictly defined by law in order to ensure regulatory consistency and harmonization and to prevent regulatory abuse. At the same time, the regulatory remedies are of an economic essence, as they are actually consisting of economic incentives and levers meant to influence the behavior of service providers and consumers. Remedies set the “rules of the game” in the electronic communications markets. They can heavily influence the way some markets “function” in the absence or regulation or they can simply protect the natural workings of competition.

Regulatory remedies can be seen as “the tool-box of the regulator”. The way potential remedies are defined in the laws of the countries with a liberalized telecommunications sector is very similar. For example, the European Regulatory Framework, transposed in the Romanian law defines the following types of remedies: (1) *Wholesale remedies*: mandatory

unbundled access, transparency, non-discrimination, cost based pricing, accounting separation and (2) *Retail remedies* (applicable only where wholesale remedies in the upstream markets are not effective): interdiction to discriminate, set predatory pricing, or bundle services, etc.

Competitive remedies

The success of regulatory policies is measured both by the effectiveness of regulation (the amount of social welfare generated by regulated electronic communications markets) and by the speed of deregulation (the number of de-regulated markets, and the decrease in the number and intrusiveness of regulatory remedies applied in the regulated markets).

The remedies are imposed in certain markets based on a detailed diagnosis the electronic communications sector, which identifies all markets, performs market analyses on each market in order to understand how healthy the competitive conditions are, selects the specific relevant markets, and selects the appropriate mix of remedies for each specific relevant market. The regulatory policy relies on the mix of remedies to accomplish the regulatory objectives. The European Regulatory experience recommends the following best practice principles as a guide for selecting the right mix of remedies: *Proportionality*: Always select the least intrusive remedy, *Try to solve the problems with wholesale remedies*: use retail remedies only when wholesale remedies cannot solve the competitive dysfunctions in the retail markets; *Promote durable, infrastructure-based competition*: promote service-based competition only where infrastructure based competition is not achievable; *Use incentive regulation instead of “command and control”*.

Remedies aimed at fostering investments

The remedies mix should promote infrastructure based competition, to the extent possible, considering the technical and economic constraints.

Investments ladder

Service providers with significant market power usually control country wide networks made of ancillary infrastructure (duct, masts), widespread access networks, and routing and transmission equipments. They are usually using their networks to provide a wide range of services in a large number of vertically and horizontally connected markets. In the absence of regulation they would be capable of leveraging their control over certain essential facilities which are very hard to replicate to expand their dominance in other markets.

The boundaries of the wholesale markets (access and interconnection markets) are determined by the technical and economic feasibility of setting a number of access points along the vertical service delivery chain. Such markets become reality at the moment the obligation to provide nondiscriminatory, cost-based access at such access points is imposed. By setting such “artificial” access points, the regulator can change the incentives to invest of both new entrants and incumbent. From new entrants’ perspective, the business case for investing in infrastructure becomes more attractive as their customer base and brand notoriety increases. In other words, a service provider which is already in the market will have more incentives to invest to deploy its own infrastructure than a pure, newly born new entrant. This makes the case for the regulator to make available a series of “points of access” that the new entrants can “climb on” by buying less and less wholesale inputs and employing more and more their own infrastructure.

This “ladder of investments” (Cave) has been a key component of the European regulatory policies in recent years. Such regulatory policies are tuning the mix of remedies imposed in different vertically integrated markets so that they give new entrants the necessary incentives to continually upscale their investments in infrastructure in order to achieve a healthy long term infrastructure-based competition, which will hopefully make possible complete sector deregulation.

Regulation of emerging markets

Technology convergence and the emergence of new “innovation intensive” markets changed the perception that the electronic communications is a static sector, marred by entrenched monopolies, and incapable of evolving towards efficient competition.

The emerging markets are very important for their potential to naturally change the structure and competitive status quo in the sector. It is, however, very difficult to predict how they will evolve in the next future. This is why emerging markets are most often exempted from regulation, excepting rare cases where they provide essential inputs to other important markets and lack of early regulation would lead to market foreclosure. Even in such rare cases, the regulatory intervention is kept to a minimum in order to allow the market to develop naturally.

The emerging markets are usually closely connected with the traditional electronic communications markets. Emerging services are provided through the same networks as traditional services are or they can be bundled with traditional services which are normally offered in non-competitive markets. Imposing a special regulatory regime for emerging markets does not pose difficult problems if we only consider the regulatory objective of promoting competition. However, it is considerably more difficult to design the most appropriate mix of remedies that will give all market players the highest incentives to invest in infrastructure, simply because, due to the complex interrelations between markets in the electronic communications sector, *investment decisions are often made at “network” level rather than on “market” level.*

In this context, promoting aggressive service-based competition (see Figure 3) as a “first step” of the “investment ladder” can discourage the investments that would have been otherwise made to adopt disruptive innovations. It is alarming to see that uncertainty regarding the regulatory regime applicable to emerging services and technologies may have contributed to the delayed migration to next generation (IP-based) networks in Europe.

Tensions between the regulatory objectives of promoting competition and encouraging investments in infrastructure

The following simplified model designed by De Bijl provides a useful insight into the dynamic tensions between the regulatory objectives of promoting competition and encouraging investments in infrastructure.

		Static efficiency	
		Low	High
Dynamic efficiency	High	Low benefits vs. price available to consumers Wide range of products with attractive functionalities	High benefits vs. price available to consumers Wide range of products with attractive functionalities
	Low	Low benefits vs. price available to consumers Few products with attractive functionalities	High benefits vs. price available to consumers Few products with attractive functionalities

Figure 4. Strategic routes towards the ideal efficient market

Regulatory policies aim at determining the evolution of the industry towards a state of both dynamic and static efficiency (upper right quadrant). Assuming that we are starting from a state of dynamic and static inefficiency (lower left quadrant), the policy maker could consider accomplishing such an objective by aiming to go first through the state described in the upper left quadrant or through the state described in the lower right quadrant. Considering the superior benefits associated with dynamic efficiency (Figure 2) a quick increase of

dynamic efficiency on the expense of static efficiency, as an interim stage (upper left quadrant), looks like the most sensible strategic approach.

De Biel model emphasizes the similarities between electronic communications and IT. Although the electronic communications sector is similar to IT as far as innovation, scale economies, and sunk costs are concerned, it is not clear whether the parallel is completely appropriate considering that network effects and “tipping” are less important in electronic communications, due to mandatory cost based interconnection. Moreover, the electronic communications industry comes from the world of the “old economy” where sheer size of the sunken investments could be the most important competitive advantage.

If promoting competition aggressively was the immediate goal of regulation, the profit margins would be reduced, and this would in turn discourage investments (Figure 3). The market might therefore remain blocked in a state of high static efficiency and low dynamic efficiency, which would harm the long term interests of consumers, especially if there is a high potential for rapid adoption of new technologies. However, the partisans of aggressively promoting competition could blame only the incumbents for milking their huge sunk investments in obsolete assets instead of renewing their technology. They could look at the arguments raised by the partisans of reduced regulatory intervention and of temporary acceptance of static inefficiencies as to a trap that could lead to market re-monopolization.

The relative priority assigned by regulators to competition and investments objectives remains the cornerstone of the national regulatory policy. The way this priority is set in different countries depends on market particularities and stage of market development. This could explain why European harmonization requirements have not gone beyond providing national regulators with a set of regulatory tools and best practice recommendations. It is the responsibility of national regulators to decide what the most appropriate mix of remedies is in order to accomplish the regulatory objectives.

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THE INTERNAL AUDIT AND THE INCREASE OF CREDIBILITY OF THE FINANCIAL AND ACCOUNTING INFORMATION IN PUBLIC INSTITUTIONS

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Abstract. *The present article explores the history of the internal audit and of corporate governance with a view to evaluate the past, present and future of an entity in Romania. The process of internal audit through its objectives, helps increase the credibility of financial statements.*

JEL Classification: M 41, M 42, M 48, G 38, G39.

Key-words: internal audit; corporate governance.

The Internal Audit concept has relatively recently appeared in the accounting profession in Romania and is increasingly implemented by the companies aiming at becoming successful on the market in accordance with the modern management practices. Actually it is high time that modern management principles should extensively prevail in Romanian companies. Joining the European Union shall bring our companies in a direct competition with important European companies and the quality of the management shall be the critical element on the integrated market.

Otherwise, the Romanian companies acting on the European and international market have already established, *volens – nolens*, an adequate management and audit function as an important adjuvant and surviving solution in a world where competitiveness is essential and beyond any performance.

Public institutions are permanently confronted with the improvement of their performances. The Internal Audit function offers from this point of view, a reasonable assurance that the operations carried out and the decisions taken are “under control” and thus contributing to the achievement of the entity’s objectives.

It is important to have an overview of history of the Internal Audit and the Corporate Governance in order to assess the past and the present, as well as the future of the Romanian enterprises.

The concept of Internal Audit as currently understood was for the first time used in the United States of America at the time when companies were affected by the economic recession and had to pay big amounts to external auditors for the certification of the accounts of the enterprises listed on the Stock Exchange.

In order to lower their expenses, companies started to establish their own internal audit departments for preparing their books within the business and applied to external audit practices which had a supervision right over the enterprise operations only for the certification of their statements. In order to differentiate the two auditor categories, the auditors from the practices have been called external auditors and the companies’ own auditors have been called internal auditors.

The Internal Audit process has been developed in several main stages:

The Audit of Accounts was attested for the first time in Europe in Ancient Greece and then in the Roman Empire. The Athenian system of public finance provided also for the State auditors who had to assess the records of the public money administrators especially on their mandate completion time.

After the Roman Empire break-up, the barbarian invasion period brought about a retrogression of the economic and social condition in Europe. The Italian cities were the first to recover from the economic point of view and adopted the audit as a current practice. The audit objective was still the same: the prevention of fraud.

Until the 19th century, the audit practices aimed mainly at checking the administrators' integrity and not the quality of the records.. The audit was not based on internal control and did not aim, even as a secondary objective, at checking the bookkeeping as such (as a means of recording transactions). The audit technique consisted mainly of checking all the transactions that had been carried out.

After the Industrial Revolution started, as a consequence of business development, including industrial businesses and the requirements for additional capital, the attitude towards the accounting system changed dramatically. Accounting started to be standardised to some extent and the results of the internal control started to be used within the audit procedures, but audit continues to be based on an exhaustive checking of transactions aiming at detecting frauds.

After the middle of the 19th century, the owners tried to check by themselves the managers' fairness but they realized that the checking of accounts needed skilled staff who needed to be independent from the checked company's management. Starting from that moment, auditing as a profession started to develop considerably due to an ever higher request of independent professionals.

The objectives of the audit process gained new values. If until then what was important was the control of financial statements to see if all the company's transactions had been recorded and accurately evidenced in the books, registers and the balance sheets, from 1904 on decision was made that the auditor should also check the physical existence of the company's assets.

The development of the audit procedures in Great Britain during the 19th century as a result of the industrial revolution and the capital increase deeply influenced the auditor profession in the United States. Although until 1932, the American audit practices still had a great British influence, the auditor profession has started to develop as an independent profession.

The American audit has rapidly developed towards the use of the "audit tests" as procedures adapted to the pace of business expansion on the American market. In parallel with the trial checking, the transactions checking technique is also used based on third parties' confirmations. The Americans were the first to start as early as 1917 the harmonization and standardization of the audit practices.

The Internal Audit is currently a well organized profession that can be found in over 80 national institutions that are part of the Institute of Internal Auditors (I.I.A.) with the headquarters in Orlando, USA. The French Institute of Internal Audit and Control (IFACI) is also one of the most important and dynamic national bodies.

After 1950, auditing made relevant progress, nevertheless one of the most important audit objectives is still the level of accuracy of the financial statements.

The Internal Audit function was implemented in England and France as early as the 60s and its financial and accounting checking origins strongly determined the specific features for this period. Only after the 80s and 90s did the Internal Audit function start to take shape in the activity of companies and its development still continues nowadays.

In June 1999, the Board of Directors of I.I.A. defined the Internal Audit as "an independent, objective activity of assurance and consultancy aiming at increasing the value and improving the operations of one organization". The Internal Audit helps an organization in achieving its goals, by assessing in a systemic and methodic manner the organization's risk management, control and management/governance processes and advising for consolidating their efficacy.

The **Internal Audit objectives** are very different according to the entity's size and structure, its managers and administrators requirements. The objectives of the Internal Audit are:

- The accounting evidence system and the internal checking system review: the management responsibility in setting appropriate accounting and internal checking systems, and continuous activity principle consideration.
- Financial and operational information examination: review of the methods used for identifying, measuring, classifying and reporting specific information and examinations of distinct issues in the entity's activity, including the transactions, account balances in the trial balances and their procedures detailed checking;
- The economic system functionality and the efficiency and effectiveness of all activities and operations review;
- The compliance with the legal provisions in effect and the internal resolutions and /or decisions review;
- Special investigations in private areas, i.e. fraud suspicion and any kind of loss removal;

Starting from these ascertainments and findings, the Internal Audit definition was set according to its several senses related to this profession development. Although the official definition contained by all the regulations and specialty literature is partly criticized and partly considered too restrictive, or insufficiently explained by the professionals interested in research and an appropriate positioning of the Internal Audit concept.

The most appropriate definition of the Internal Audit taking into account its simplified and synthetic senses could be: „Internal Audit is an independent and objective activity providing the entity's assurance in terms of the checking degree over the operations and advice for improving the operations and contribution to obtaining added value”.

The expectations of the Romanian entities in relation with the internal auditor refer to benefits resulting from the cost-profit ratio. How could be achieved such benefits? Or, why the management of one entity is not always able to achieve the targets under an objective approach if the internal auditor already has the professional knowledge in the field?

Which are the weaknesses? If we read carefully the first part of the internal audit definition ”it is an independent and objective activity...”

How could a manager understand the auditor's independence if he is remunerated by the company over an undetermined period and his recommendations in relation with the deficiencies found out may be inconvenient? There is a simple approach:

In theory and in fact, the internal auditor should not be subordinated to any functional structure of an entity; he/she should directly act in independent and objective conditions; he/she should support the proper operating of the enterprise/entity.

We should understand here that the auditor's independence is not an impediment for the manager. The manager needs just to understand that the internal auditor is a professional whose activity, performed in the interest of the management, should not be directed to „convenient” areas, but should be understood as a support, sometimes inconvenient, but necessary.

For all practical reasons, management may not get involved in the internal audit but should be interested in considering, appreciating and effectively turning to good account the conclusions of this activity. Furthermore, the tendency of directing the internal audit to an incidental checking is definitely wrong and could only create a major confusion between the management's responsibility related to the internal control and the responsibility of management related to the system operating as a whole.

In this respect, the double character of independence should be emphasized represented by the independence of the department within the company but also by the independence of the internal auditor through the practice of objectivity. This does not mean that the financial auditor is a second manager. On the contrary, the financial auditor's position should be approached in a subjective manner in the context of and the support to the business.

In his turn, the manager has to be sure, even since the internal auditor is hired, about his professional competence, authority and also his psychological state in strong relation with the specific requirements of the job according to the entity's specificity and object of activity.

In other words, there is a certain "market" of the internal auditors and the professional standards may ensure them a high position in the professional pyramid which for this profession more than for others represents the critical condition for concluding audit agreements.

This is actually also the intention of the Romanian Financial Auditors Chamber for supporting its members in developing such activities. The Chamber made available to the professionals: the standards for international auditing; the professional regulations; the code of ethics and intends to develop the minimum specific regulations.

In practical terms, the internal audit supports the entity in achieving its objectives by assessing through a systemic and methodical approach the risk management, control and enterprise governance processes and making recommendations in order to consolidate efficiency in a total independent position in relation with the management.

We consider necessary to clarify the following terms:

- *Control degree: operating efficiency of the internal control system.*
- *Added value in the internal audit: ensuring the benefits of the rational administration of the entity's resources.*
- *Assessment: set of methods for assessing the functionality of a process.*
- *Systemic and methodic approach: use of techniques and procedures based on the principles of the Internal Audit Application Practical Regulations.*

In this context, it is obvious that a clear differentiation between the internal checking and the internal audit should be admitted: the internal checking was conceived to provide a reasonable assurance of achieving the management targets and the internal audit has to assess, according to its definition, its functionality.

Corporative Governance consists of a set of governance principles, standards and good practices issued by an institution and whose implementation is optional. The Organization for Economic and Cooperation Development (OECD) elaborated and adopted The Principles of Corporative Governance.

In the European Union, the corporative governance concept started to shape after 1977, when most of the countries have adopted corporative governance codes. The codes' adoption reason was the financial scandals related to the bankruptcy of several British companies listed on the capital market. On the other hand, the Asian economic recession and the investors retreating from Asia and Russia raised problems related to the impact of the investors' distrust upon the companies' management for the international business community. Therefore, the Cadbury Code of 1992 was issued in order to prevent similar financial scandals and to recuperate the public and investors confidence in the companies' governance practices. Great Britain has the largest number of corporative governance codes amounting to almost one third of the total number of codes issued by the European Union member countries. The Corporative Governance includes the relationship between the Board of Directors and the interested parties, namely: shareholders, employees, customers, suppliers, Government and the public in the broadest sense.

What is the main purpose? The efficient administration of the material, human and financial resources, fraud prevention and risk minimization in relation with the events and transactions carried out within the entity.

Besides their classical assurance mission, the internal auditors assume an advising part which they play for improving the institution's fundamental processes. The audit missions emphasize the significant anomalies and weaknesses within the processes carried out by the institution, in order to remediate or reduce their consequences.

The internal audit should make suggestions for audit plans based on the risk assessment in order to set the audit priorities. The risk-based audit changes the auditors' perception over

checking and risk. The internal audit should support the public entities' management in retaining an appropriate internal checking by assessing its efficiency and effectiveness and encouraging its permanent improvement.

The risk assessment should take into account the change management: people are changing, methods are changing, risks are changing. The risk assessment means to identify and assess the relevant risks for the objectives' fulfillment in order to know how they should be administrated.

We consider that the internal public audit perspective consists of the managerial assistance meant to support the management in organizing and improving the internal checking. Through the knowledge impartation, the public audit allows the perspective outline and brings progress.

It is crucial that the internal audit participates in debating at the institution's highest resolution level the relevant issues systemically involved in the entity's operations as a whole, directing thus the internal audit towards the management matters.

The internal auditors should prove clearness, consistency, skills, kindness, competence, communication and awareness in relationship with the audited bodies and give them the feeling that they work in their interest and, most of all, for the entity's added value. The added value brought by the internal audit results from the input of competence to a rational internal control practice. The internal audit should be constructively approached, based on the manager-auditor partnership, future oriented and based on the auditors' professionalism and objectivity and the auditees responsibility related to the role of the internal audit. The organization of the internal public audit in Romania is stipulated by Law no.672/2002 and determined the re-organization of the internal audit structures and procedures within the public institutions. In accordance with the internal regulations, the General Rules for Internal Audit have been drawn up based on which the public entities have drawn up their own, specific internal audit rules.

Conclusions

In time the auditing process improved from the exhaustive control of transactions for fraud detecting, to a random control aiming at detecting the entities' major risks and assessing the internal control that has been organized and carried out at their level.

Corporate Governance is practically an attempt at defining a good managerial practice and of introducing control mechanisms of their implementation and operation in compliance with the existing requirements. Since Romania joined the European Union from an economic point of view too, professionals need to draw up a Code of Corporate Governance similar to what other European countries have issued, accepted and applied.

The process of Internal Audit supports the institution in achieving its goals by the assessment of its risk management, control and administration processes. By continuous counselling, the internal auditors may help the institution to identify, assess and implement a risk and control management system which is able to manage such risks.

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MANAGER, LEADER AND LEADERSHIP IN SHIPPING

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Abstract. *The situation of managers in sea transport is different than that of the inland managers due to the specific of this domain and to the fact that sea ships are led differently than inland companies or productive units. The dangers are also different from those which appear in the inland activity. This paper presents the results of the research carried out on six shipping companies related to their type of activities, the quality of the decisional act of managers and ship captains, the determination of characteristics of the persons that become leaders of the company or of the ship. This determination is important because it directly influences the action, the attitude and the results of the activities of both companies and ships headquarters.*

JEL Classifications: F52, H11.

Key-words: manager; leader; leadership; shipping; ship.

Introduction

For inland commercial companies, there are used many ways of classification after the main features of the managers. Thus, consider that the main characteristics of a manager are double professionalism, which means that alongside knowledge necessary to the main profession, there are, required qualities, abilities and managerial knowledge; and the creative character of the proceeded activity, because a manager is confronted in approximately 80% of cases, with novel situations (Zorletan et al., 1998, pp. 238-239). Managers can be classified according to the following criteria: (Iordanoaia, 2006, pp. 3-4)

a) According to the hierarchical level:

- The managers of inferior level: foremen, superintendents.
- The managers of medium level: department's chiefs, compartments chiefs.
- The managers of superior level: general manager, assistant manager.

b) According to the coordinated activities domain:

- Functional managers.
- Service production chief.
- supplies service chief.
- General managers: the production manager, the economic manager.

The profession of manager can be characterised by the roles which the manager must fulfil and these are: the role in the interpersonal domain, meaning: of representation, leader and connection agent; the role in the informational domain, of active observer (monitor), information disseminator and spokesperson; the role in the decisional domain, enterprising, handler of dysfunctions, resources distributor and negotiator (Iordanoaia, 2002, pp. 3-6)

. Managers, irrespective of what kind of hierarchical level they belong to, are dealing with the foreseeing, organising, training and coordinating, but the time granted for each function differs from one hierarchical level to the other and from an organisation to the other.

According to this, it is considered that: the managers from the superior level will spend a longer period of time foreseeing, than those from the medium and inferior level; the managers from the medium and inferior level will spend a longer time organising, than those from the superior level. This difference of time brings about a difference of the qualities which must be held by the managers from the different hierarchical levels; these qualities are considered to be:

- The technical qualities that represent the ability of using procedures, techniques or knowledge specific to the activity domain, to the respective speciality.

- Human qualities, that represents the ability of working with people, of understanding them, of succeeding to motivate them to participate to the accomplishment of the objectives of the organisation.

- The conceptual qualities that represent the ability of coordinating and integrating all the interests and activities from the organisation.

All of these are available, of course, for the shipping companies, too, but there are other aspects which make the difference very much from the management of the shipping companies to those of the companies from the industrial productive domain or to the terrestrial services carrying out (Iordanoaia, 2003, pp. 2-69)

The managers from the shipping companies leading authorities are dealing with a series of specific situations, which sometimes are difficult to be imagined that could happen to an inland company. Even if the carrying out of the sea transport service is from the technological point of view less complicated than the industrial production or the classical services, still very many technical aspects affected the management of the shipping company.

Within the shipping company it is noticed the fact that the processes of management and the execution processes are complementary, both contributing to the accomplishment of the company objectives, but the highest weight belongs to the management processes. Within the shipping companies, the leading team is structured into the following leading levels that make the typical managerial pyramid (Official Statute, Operation Files, CFR-Trade, 2008):

1) The level I "Top Management", in which there are the managers of the superior level, in this position there are:

- The General Manager, who is in charge with the general leading of the company, fulfilling the following tasks: establishes the acts strategies of the company, foresees the general objectives of the company: the number of the transport contracts, the increasing rate, the profit, etc; - represents the company in the relations with the environment.
- The General Assistant Manager, position which to the present sea transport companies from Romania was abolished, but for many others companies this is considered very important. Usually, the general assistant manager is that person who is in charge with the operation problems of the sea ships.

2) The level II "Middle Management", where the managers from the middle level are included. Within a sea transport company these are (Official Statute, Operation Files, Ceremar, 2008):

The Executive Managers: executive (operative), of fleet (ships section), technical, security and pollution prevention, logistical (supplies), marketing, economical, financial, human resources, administration, etc.

These are in charge with the application of the company politics upon the respective compartment or department.

3) The level III "Lower Management", the basis or inferior management in which the following are included: compartments and dispatches chiefs, offices chiefs, nominated persons, ship commanders, superintendents.

These have in subordination: the team's chiefs (organised in shifts), the crew chiefs of the ships. The team's leaders have in subordination the staffs that exert the acts which the accomplishments of the planned objectives of the company depend on. Within the sea company the authority of the managers is the type: hierarchical and functional.

i) The hierarchical authority is exerted directly upon the subordinated from the compartments, by the leader of the compartment, the executive manager and the general manager.

ii) The functional authority is accomplished by the company specialists, but with the help of some counsellors, on some particular domains of activity (for example: juridical, financial-accounting).

The hierarchical authority has priority upon the functional authority because the responsibility belongs to the leaders, both through the status of the sea company, and through the internal and international valid laws, but most of the times, through the common laws from the domain. This fact ensures the respect for the leading unit principle. Within the managerial structure of a sea company, the hierarchical pyramid is the flattened type, with a reduced number of hierarchical levels. This pyramidal type has the following advantages:

- ensures direct and rapid communications,
- allows the approaching of the managers to place of the execution,
- the informational system works rapidly, even from the clerk, to the general manager,
- promptness in taking the decisions,
- the small number of managers and the expenses reduced with their salaries.

The disadvantages of the flattened pyramid are the following:

- the excessive overloading with tasks of the managers, considered one of the most serious problem in the sea transport domain in Romania,
- the restriction of the possibilities of including all the problems,
- the great number of working meetings, which are proceeded daily, after the normal working programme ends.

In the sea transport, the managers can be classified after the following criteria:

After the hierarchical level they can be:

- the managers of the inferior level: the ship commander, the first officers and
- the machinist's chiefs, the superintendents.
- the managers of the medium level: the nominated person, the section chiefs,
- the compartment chiefs, the department chiefs.
- the managers of the superior level: the general manager, the assistant manager.

After the coordinated activities:

- the functional managers: technical service chief, supplies service chief, staff
- service chief, etc.
- the general managers: ship's operation manager, chartering manager, marketing manager, logistical manager, economical manager, etc.

Leaders and leadership

Leaders are considered to be those charismatic and pleasant people, who have a great ability of communication, skills which are necessary to understand the others (Zorletan et al., 1998). The main qualities of a leader are considered to be the following:

- The knowledge of the group which he/she leads and of the activity domain, such as: the market, the competition, the technologies, the "key" personalities, the challenges which motivate the people.
- The society relationships and the activity domain.
- The reputation, the previous success in business.
- The skills and the competence: the ability of analysis, the certain judgements, the sensibility towards the others, the understanding of the human nature.
- -The private qualities: integrity and honesty.
- The strong motivation of becoming a leader.

It is also considered that there are 4 ways of expressing the greatness in thinking and action of a leader, such as:

The Vision, which represents that characteristic to distinguish the largest perspective, which supposes a new and ample thinking,

- The Realism, meaning the obedience always before the facts, rejecting the illusions.
- The Ethics, expressed through the attention paid to the others
- The Courage, of acting, of exposing, of being persevering in action.

How does a manager of a shipping company become a true leader? He knows:

- all the employees from the company's headquarters,

- most of the crew members
- the characteristics of the maritime market, for example the oil market, the grain market, containers market etc.
- the competition, the shipping companies from the same line or sailing route,
- the technologies from the board, because he is the person who took the decision of buying or of construction of the ship.
- the persons that have an influence in obtaining the transport contract.

He has connections in the domain, and it is said “on the maritime market you can't resist unless you have connections” (Iordonoaia, 2001, pp 2-131), but they are not possible without a certain reputation, usually obtained when he previous worked on a ship and he entered in contact with the one speaking of. Without courage, he cannot manage a shipping company because the risks and the possible failures are permanent, whether the ship is offshore, in port or on the dock.

On ship, the leader is the commander. He manages the activity on board from the operational and managerial point of view. For protecting the goods and the interests of the persons employed on board, the commander has the right, as given by law, to be a representative of the public authority and he has the following responsibilities: officer of civil state, public notary, organ of the fact-finding of the crimes committed at board. He bears the disciplinary authority and order on board related to respecting the laws or the maritime regulations. He can take measures on board against the crewmembers and the passengers. When the ship is in a foreign land, he can ask for help from the consular offices are the diplomatic missions of the country's flag.

The hierarchic relations are established in the following way:

- he is directly subordinated to the general director of the company;
- he is subordinated to the responsible of exploitation and issue department;
- he is subordinated to the flag state authorities, as well as to the coast and harbour states where his ship enters.
- he directly operates officers and the other crew members as well as any other person at the board of the ship.

Commander's relations of collaboration are the following:

- with the economic responsible of the company;
- with the freighters,
- with the responsible of human resources department
- with ship's agents in the foreign harbours
- with third parties, in the limit of his competences.

Other relations of the commander for the achievement of his responsibilities and tasks are in the limit of the competences he is entitled for collaboration with other authorities, national or international companies in matters of maritime rescue, protection of the marine environment, safety of navigation etc.

Leadership is defined as a process of orientation of a group of people using the non coercive means. This means to orientate people into a direction which correspond with their interest on a long term, meaning not to waste the forces and the resources that the group has, not to explore the negative part of the human side. It is considered that there are some common points between an efficient leadership, of a group situated to an inferior hierarchical level and the superior leading of a company, through:

- vision, which takes into account the legitimated interests of all involved people,
- strategy through which this vision is materialized, through the integration of the forces from the organisation environment, with internal factors which will have influence on the accomplishment of the objectives,
- the supporting with resources in applying the strategy settled for the company,
- the group of involved people are very motivated, who through the positions they have in the company they can support the transformation of the vision into reality.

In the literature of speciality (Iordonoaia, 2006), there are three types of tackling the leadership problem, such as:

- through the characteristic features of the leaders,
- through the leaders behaviour,
- the contextual approach.

The leaders must accomplish mainly the following types of functions (Teodor, 1998, pp 5.11):

- of solving the problems (the accomplishment of the tasks),
- the social function (of informing and maintaining of the group).

A leader who fulfils both the categories of functions is a leader of performance, these functions influence the style of leadership. The efficient leadership is influenced by the following variables:

- the leaders personality, the previous experience and their perspectives,
- the perspectives and the behaviour of the superiors, the leaders wanting, in general, to follow the pattern of their superiors, who share the rewards and even the power.
- the requested tasks and the leader who must accomplish them
- the perspectives and the behaviour of the counterparts from the company or from outside,
- the characteristics, the perspectives and the behaviour of the subordinated,
- the culture of the organisation.

There comes a new question: how does the manager of a company influence leadership in order to be efficient? The answer is given by the situation of the managers of the companies researched by the authors. The following companies were considered: CFR-Marfă [I], Coremar [II], Cosena [III], Histria [IV], Mihei [V] si Sammarina [VI].

- At company I, the subsidiary of a national company, the subsidiary manager is a marine officer with experience,
- At companies II, III, VI: the general managers are known managers or associates, former commercial navy officers, with experience on ship.
- At companies IV and V: the general managers are employees, navy officers with experience, but general managers are those known and with experience on ship.

The best-known managers are also general managers. They have the right of decision in all the problems, managing directly in double perspective, other managers being just employees with right of decision and limited responsibilities.

From the point of view of managers' comportment, the findings are the following:

- Company I: "dictatorial" style, based on exclusive power, the type "cuts and hangs", the employees do not have personal initiatives, and work atmosphere is negative, reduced personnel and big number of tasks. At the board of the ship, the atmosphere is positive, the personnel is motivated by the short voyages and by the fact they arrive home often. The employees from the headquarters do not have the possibility to advance in function due to the reduced number of functions. The first author was embarked on two ships of the company in many voyages of practice with students of the third year for 5 years and collected the information directly from the personnel, by interviewing eight employees at the headquarters and 35 members of the crew.

- Company II: general managers, participative management, autocratic style of management, good work atmosphere, the entire personnel is motivated and rewarded adequately, stressful work conditions for crews due to the specific of maritime and port towage. The employees from the headquarters do not have the possibility to advance due to the reduced number of functions. The author has coordinated the internship with students from the second year, embarked on many tugboats.

- Company III: general managers, participative management, autocratic management style at headquarters, positive work atmosphere at headquarters, reduced tasks for employees, But negative atmosphere on ship's board caused by the fact that ships are old and the wages

are low. The headquarter employees have not the possibility to advance in function because of the reduced number of functions. The authors have questioned a number of 7 persons, 2 employees from the company headquarters and 5 at the board of the ship.

- Company IV: the manager is an employee, former ship commander, without managerial experience, under the direct command of the general manager. He does not have personal initiatives; he does not go out from the usual model of activity. The work atmosphere from the headquarters is positive, high wages, motivating, "reasonable" tasks of the personnel. At the board of the ships, the atmosphere is negative because of the fact the ships are old oil tankers, low wages compared with those of the foreign companies.

The employees from the headquarters have the possibility to advance because the number of the functions is high. This company has the largest number of employees from all the companies. The authors have questioned a number of 11 persons, three employees from the company headquarters and eight from the board of the ship.

- Company V: the manager is an employee, he does not have the degree of commander, he did not sail, he has worked since the graduation in this company and he has managed it for many years. The General Manager is a politician, deputy, former ship commander and lecturer. He has the right of full decision; he manages the company based only on the annual plans approved by the general manager. The manager adopts a participative management style; there is a positive atmosphere at the headquarters, but the ships are small, old and the wages are very low causing problems with crew fluctuation. The employees from the headquarters do not have the possibility to advance because of the small number of functions. The first author has a management internship at the company headquarters and he visited all the companies' ships, questioning a number of four persons from the headquarters and twenty-one crewmembers.

- Company VI: general manager manages the company in an autocratic way and in other managing functions are the members of his family. There is a negative atmosphere from the company headquarters, conflicts with employees and fluctuation of personnel caused by the low wages. Old ships cause the negative atmosphere, but salaries are larger than company number V. The employees from the headquarters do not have the possibility to advance due to the small number of functions and to the fact that the managing persons are from the same family. The second author questioned a number of three persons from the headquarters and seven crewmembers.

Through the nature of the activities proceeded at the ships' board, the most important leader becomes, usually, the commander of the ship, but in certain situations the first officer can also. Their qualities are very important for the development of solving the difficult situations which are happening on the sea or in harbours, for the cohesion of the crew and the unitary action of it.

Case study

Nowadays, managerial processes have spread, logistical, marketing and informational departments began to be organised. These have at the basis specific managerial principles, but new concepts appeared about the management of time and of the chartering. From the managerial point of view, the problem of managers, of leaders and of the leadership is very important. This fact results from the distribution of the management processes, as they are presented in figure 1 (Iordonoaia, 2002). At the level of the leading "top management" within the managerial processes proceeded at the headquarters of the shipping companies the balance of those is the following, figure 2:

- The Management of the naval operations (1): 35-40%.
- The Management of the logistics (2): 30-35%.
- The Management of the human resources (3): 8-10%.
- The Management of the chartering (4): 5-6%.
- The Management of the maintaining (5): 3-4%.

- The Financial Management (6): 2-3%
- The General Administration (7): 1-2%

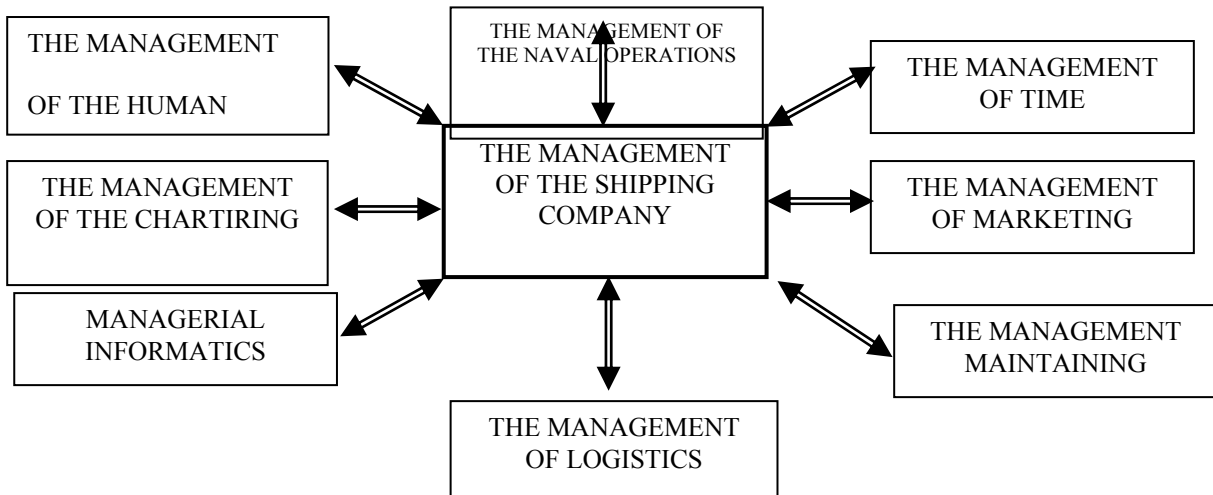


Figure 1. The present Management of the shipping company.
 Source: the authors study, original.

From one company to another, these values vary as balance. These situations I noticed studying the managerial processes at six shipping companies from Romania, which had different ships and through the calculation of the number of the activities, using the simple arithmetical average, I reached these results. In some cases, the data weren't totally for real, because some of the leaders wouldn't want to be known entirely the company activities, but finally the values obtained are close to the reality:

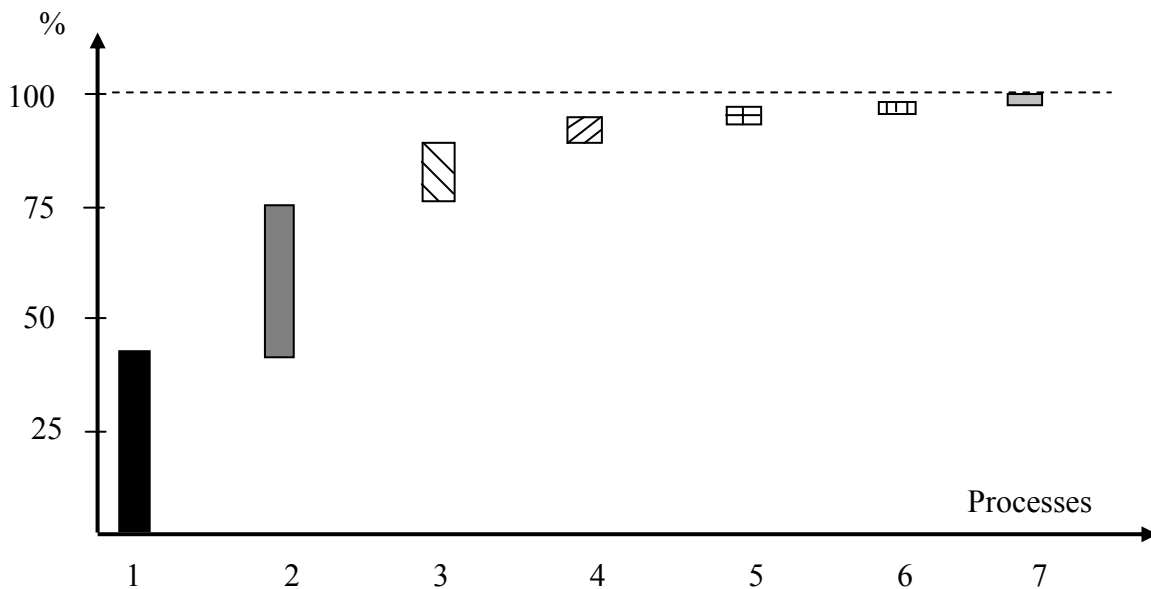


Figure 2. The management processes balance.
 Source: the authors study, original.

An important variable is given by the seasonal variations of the activities, of the periods of making the ships repairs. In conclusion, it can be considered that in the sea transport, the human factor found in the leading authorities of the companies has the essential role for the resistance on the sea market.

At the ship's board, the responsibility of the commander's towards the ship cannot be exonerated by any means, under any circumstances, thus nothing that is provided in the

manuals, instructions or company regulations cannot be transgressed. He can take any measure that he considers necessary for safety, rescue of the ship, crew and cargo. Most often he is in conflict with everybody: on board with the sailors or officers, at the company with the managers or with other employees and in port with authorities and controllers.

But the commander is responsible by implementing the commercial politics of the company at the board and with customer relations. He can be made responsible for any deficiency of conformation with the established procedures, the clauses of the contracts signed with the partners. In safety issues, the commander has the right to take any measure that he considers necessary in the interest of the ship, crew and cargo on board. In commercial issues, he has to look for carrying out the contractual clauses in the interest of the owner, the freighter and the owner of the cargo. From this, it results the complexity of the activities and of personality of the ship commander, which becomes, in this way the most important employee of a shipping company. The relation between managers and ship commanders becomes special, unique in its way, with a series of specific coordinates, given by the activity on sea, in harbour and at the shipping company headquarter.

The unlucky experience of the Romanian sea companies proved the reality that only those that were led by the strong leaders succeeded in obtaining great results.

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MANAGEMENT AND MENTALITIES IN THE ROMANIAN ECONOMY. THE MODERN AGE

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Abstract. *Romania's accession into the European Union brings along for the Romanians, in general, and, in particular, for the Romanian economy, the problem of integration. Due to this process the structure of Romanian economy will be reconfigured as well as the mentalities and the economic behaviour of its members.*

In the well-known encyclopedic dictionary Grand Larousse for the term mentality it's stated that it represents a particular way of thinking of an individual or community and for the term behaviour that it represents a form of acting in certain circumstances and situations.

We assert, taking into account the fact that mentalities as well as the behaviours are the results of the interaction between individual/group and the environment, that the socio-economic and political winding within the Romanian world had a main impact on people's mentalities and economic behaviour.

In a socio-economic environment in full process of transformation the traditional mentalities regarding production and consumption, of natural economy, expressed through habits, traditions and convictions that persisted at economical agents and in some social communities proved to be one of the most complex and complicated obstacle of the economic progress. One possible explanation for the delay of economical process in Romania is the long persistence of mentalities and socio-economic behaviour specific to agrarian societies, quasi-capitalist.

Those 50 years in which Romania belong to the socialist world, with a centralized economy accentuated the non-economic behaviour and the lack of initiative.

European experience proves, from historical point of view, that the process of mentalities adaptation to the new socio-economic changes made ready the evolution in the economic field. Entrepreneurial spirit, understood as an attitude towards money, merchandise, exchange, and capital – meaning its circuit-becomes the determinant in forming and educating the new behaviour that expresses the economic interest.

Economic constraint becomes a way and mean of building the attitude and behaviour of the paid employee in economic activity. The population from countries with developed economy has experience and a way of life that start from the premise that the abundance of goods on which his life style reply upon, must first be created and then managed with extremely attention and moderation, without degradation and dissipation. Moreover the capital seen as property has in the first place a social obligation, that of functioning and only afterwards to profit.

The welfare has its fundament in the whole economic and social system, depending upon the development level of the country's economy and least but not last upon the behaviour and the mentalities of economic agents regarding the participation to economic development of the country and mainly to the leadership of the economic activity.

JEL Classification: A13, H00.

Key-words: mentalities; leadership; culture; Romanian economy; behaviour

The economic, social and political evolution of the last decade of the 20th century and the first decade of the 21st century underline a vast process of reconfiguration of society which is manifest on a world scale and unfolds on two levels⁽¹⁾. First, we assist at a tendency of consolidation of market economy through displacement of difficulty centre from the

production sphere in that of services, having as support information process. Within the economic policies, as in the case of any action undertaken on national or international market, are decisive the realism, pragmatism and connexions of identification and exploitation of the offered opportunities by the natural and institutional environment, managerial and organisational creativity, accompanied by the capacity of inherent risk assume to any action of this nature⁽²⁾. Secondly, we assist to accentuation of tendency of market economy generalisation, through adoption of its principles by new states, with deferent levels of economic development and which have known – about a half of century and more – different politic regimes. Not but that the two tendencies are not superposed and exclude themselves, bearing with actual stage of world economy, the countries belonging to the former socialist system, between which is Romania also, can be framed in the second tendency, being disadvantaged both by the level of economic development, and by the economic mentality and behaviour manifested by the most part of the population (Soulet, 1998, pp. 5-8).

Encyclopaedic dictionary Grand Larousse (1985) specifies that the term *mentality*⁽³⁾ represents a particular way of thinking of a person or collective, and that of *behaviour* a way of action in certain circumstances or situations. But, being known the fact that both the mentalities, and behaviour are results of interaction between person / group and environment, results, we believe, that the economic-social and political anfractuosités of Romanian world determined, in big measure, the economic mentalities and behaviour from it, especially of that part that have been under the direct incidence of changes determined by the course of history¹ and, unquestionable, presses a specific national nuance⁽⁴⁾.

The beginnings of capitalism, present in European continent's Occident still from 14th-16th centuries, are making feel their presence in its East just at the beginning of 18th century. Occident's experience, the acts and actions undertrained to build the capitalism, proves us – at history scale – o way of numerous difficulties. Feudal pattern is shattered by the bourgeois-democratic revolutions from 1642 and 1789, that become quickly major bench-marks for a West which architecture is upholds on few solid pillar, which gives them strength and flexibility, such as: absolute private property, free economic initiative as support of politic liberty, democracy and culture for society members. On this background, the occidental capitalism – a heterogeneous reality – obtained specificity, crossing over the culture of each people. This is not a global reality, evenly, but, as a result of national culture originality, we can distinguish an English capitalism, another French, another German, another Italian and so on. The common denominator of this diversity of shapes represents the key - institutions which assures the functioning: market, state, social contract and the consumer (Pohoața, 2000).

The beginning of the 19th century has for Romanian world a dominant feature, such politic instability, both in the context of geographic area, and in national plane. This means a big uncertainty of life and fortune, limits the economic initiative and capital accumulation. The Russian-Turkish war from 1828-1829, ended in September 1829 with the Peace from Adrianople, had important successions on long term, especially in economic aspect. Have been created permissive conditions that permit the frame, in a bigger measure, of a part from Romanian world in international commercial fluxes of the age. Did not dallied to appear numerous structural modifications of economic life and social relations, but it was missing the fundamental of capitalist world, such absolute private property. In the 19th century, the reform of Romanian society coincides, under chronological aspect, with the period between the Union of Principalities and gain of state independence. Is the determinant period is the launching and materialisation, in a good measure, of the constitution process of capitalist structures of Romanian economy, through structural reform of the state, of economic and politic institutions. (Mureșan, 2003, pp. 75-185).

The mentioned period marks the effective and decisive leap from the essence and feudal shape to the essence and capitalist shape and lasts till the end of 19th century and the first's decades of the next one, obtaining, normally, new rhythms and meanings after gaining the state's independence.

On the theme of institutional renewal, regarded as legislative action, of consecration by law of some phenomenon, processes or economic report, in the second part of the 19th century, in our country took place a long controversy of philosophic, sociological and political ideas concerning "forms without fond". So, the leaders of some conservatory forces negated the opportunity of new institutions' stability, sustaining that they are premature and not corresponding to conditions and fond of Romanian society. Liberal leaders, especially those from the radical wing, argued, on the contrary, that, if the legislative-institutional forms are more advanced and not corresponding wholly to our backward state, they have the role of a "locomotive", namely they will action on this states, it will precipitate the transformation, being the only modality to imprint o positive and rapid evolution of Romanian economic-social and politic life. The ulterior evolution of Romanian confirmed, at time scale, the opinions and actions of liberal forces, fact synthesized in Romanian thinking by the economist Stefan Zeletin (1991), which, at the beginning of 20th century, appreciated that, in its evolution, Romania "burned the stages". The action of liberal forces had in age a strong motivation, such as that of institutions and legislation with economic character could represent the instrument of application of economic policy with the purpose of country's progress acceleration.

At the end of 19th century and beginning of the next one, in Romania existed and functioned the fundamental institutions to assure the market, social contract and democracy. But Romanian world had still an important distance to recuperate concerning the conceptions and, related to this, of economic behaviour.

Economic activity – figure of human activity in general – is unfolding within a company. The person is being born and forms in social environment already organised. From this point of view, the society has an ascendant over him and imprints ideas, beliefs, and habits, determines a certain behaviour, which – through repetition – becomes a permanent conduct and imposes a certain representation in the plan of mental.

The behaviour of economic agent becomes in this way the reflection of the environment where he leaves and unfolds the activities. Features of some restrictions in economic and politic plan have a reflection at social level trough limitations at which are submitted the persons – members of a society in formation – and through the character of ideals that determine substantial mutations in human universe.

Traditional mentalities of production and consumption, of natural economy, expressed through an assemble of customs, traditions, ideas and beliefs, persistent at economic agents and at some social collectivity, in a socio-economic environment in transformation, it constituted in one of more complex and complicated barriers of economic progress. Longer persistence of traditional economic-social mentalities and behaviour, specific to agrarian societies, semi capitalist, can explain, amount other causes, the delay of economic progress in Romania.

Preponderance of small and medium proprieties in Romanian agriculture, due to successive inheritance, or to agrarian reforms – necessary in social aspect, nu inefficient economically on long term – leded at conservation of mentalities and uneconomic behaviour⁽⁵⁾.

As a conclusion, we can appreciate that, during the entire 19th century, the Romanian economy has and conserves a pronounced rural predominance. Rural environment protected moral-cultural values and own time of action, thinking and formation, receptioning the move and rhythm of economic universe in differenced form and not in pass with "world's clock" (Braudel, 1989, pp. 13-48). Philosopher Lucian Blaga, in one of his reference papers, appreciated that for Romanians "eternity was born in the country". It is of course, a reflection

that mirrors the sustainability of Romanian people, but also its impenetrability. In the same time, we can appreciate that, economic mentalities of occidental type are in the most part the elites' privilege, in the most part educated in occidental schools, and is manifesting in sui-generis forms. This phenomenon proceeds from the specificity of Romanian people, but in the amalgam of preventive influences from different cultures, remelted and adopted in different scales under the aspect of extent and profoundness. Economic experience demonstrates, at historical scale, that adoption phenomenon of mentalities to the new economic-social transformations was the one that prepared the evolution of economic field. Bourgeois spirit (Webwe, 1993), understood as attitude toward money, goods, exchange, and capital – in meaning of movement of it – becomes the lever of formation and education of new behaviour that expresses the economic interest. Economic constraint becomes path and way of payment attitude and behaviour constitution of the employee in economic activity. The population of countries with developed economies has an experience and a way of living which starts from the premise that the goods' abundance on which is based its level of living must firstly created and afterwards organised with special attention and moderation, without damage and wastage. More, the capital looked as property, represents, firstly, a social obligation, and only after that as right to benefit from its result.

In the 20th century, more exactly at the end of the second decade, starts a new stage for Romanian economy, namely that of consolidation of competition-functional market economy. Medium state as surface, with exit to the sea, with two navigable rivers, with a big agriculture area and a numerous population, yang, and with a high rate of nationalities, combines favourable premises for acceleration of its development and international assertion. It was – in a word – a big European promise.

In the first years after the first world war, are superposing, in time, and are burdening mutually the reconstruction of economy and economic unification, both ended in 1923, year when is adopted a new constitution. This reconfirms two big reforms promulgated during the world times, respective the agrarian reform and universal vote. Without omitting the social importance of mentioned reforms, their opportunity and necessity, we appreciate that they led at functioning of Romanian organism on two levels of speed.

On another part, on a level is situated urban world, dominated by capital with interest related to industry development, commerce and banks. Economic policy, against the difference of opinion of the main politic groups, is concretised in measures, laws and institutions destined to accentuate and accelerate development of functional market economy, fact confirmed at the end of interwar period. After six decades of systematic protectionist economic policy, industrial performances of Romania, although still behind those of developed countries, were appreciated as being of medium European level⁽⁶⁾. On this background and as a result of activities development of industrial, commercial and banking type, of course, mentalities and economic behaviour, at least for a part of the population – urbane one – knows important mutations and starts to resemble under some aspects with the European west model. Under the form of exception is must be mentioned Nicolae Malaxa (Mureşan, Mureşan, 2003, pp. 276-278), emblematic entrepreneur of interwar period. He is excelling its contemporaries, firstly through managerial vision, through the fact that he understudied that the solution of economic crises from 1929-1933 is in research and innovation. The big realisation of it, Malaxa motor car, stays testimony in this sense.

On another part, on the other step is situated rural world, numeric preponderant and still dominated by self consumption and natural energy. Land property, plotted through agrarian reform, burns re-plotting, a relative material abundance, but is not engaging in a sufficient measure in the intern market circle. The offered production on the market represents occasional surplus of peasant exploitation, which limited the solvable request of industrial products of the most part of the population. And tuning of the universal vote right to a big part of population, not always prepared for its exertion, transformed Romanian village in “field of electoral manoeuvre”, which unsettled its economic silence. Rural world stays an etalon of the national

morale and spiritual values, but peripheral toward the area of unfolding of principles and institutions of functional market economy. Mihail Manoilescu, a fin analyst of Romanian economic environment, in one of its fundamental paper, published at the beginning of fifth decade of the past century, appreciated – referring to the agrarian reform from 1921 – that, to share is a “boyar’s gesture” (Manoilescu, 1942). Peasants’ appropriation of land must be accompanied systemic preoccupations for their orientation concerning priorities of modern economy, to the bourgeoisie behaving in this sense a special role, which, mentions Mihail Manoilescu, it did not assume. She must start exertion of this mission the second day after reform. There was necessary peasants’ education in the spirit of competitive market economy, especially of capital accumulation, coordination of economic activities, and organisation of some representative institutions etc., what Romanian bourgeoisie did not and so she “did not fulfil its duty”.

The period between the first and Second World War represented with reserves and underlines mentioned before, a period of ample relative development of Romanian economy, within the industry increased a consequent and sustained dynamics, influencing positive the evolution of entire organism of country’s economy. A special role in this sense had economic politic, preponderant protectionist, with accentuate state deregister nuances, especially after the big economic depression from 1929-1933. Otherwise, in almost all states which economies were affected by depression has been adopted measure with related functions and role.

The Second World War marked a brutal break of economic and politic order, settled and maintained with big efforts and difficulties during two decades after the end of the First World War. Return to peace meant a new world report of forces, a new stability, and a new order. But, at its end meant, outside the unlimited human drama, of losses, destructions and induced expenses of military operations, world division in two systems: capitalist and socialist. During half a century they staid face to face and confronted economical, political and ideological and military⁽⁷⁾.

As result of understandings occurred between big powers, a part of European countries – between which Romania – inters in cone of European semi-darkness, named “sphere of soviet influence”, fact that puts the imprint on ulterior unrolling f their economic-social and politic life. In respective countries, is truing – and is succeeding in part – imposing of a new model of economic, social and politic development. Between 1945 – 1950, in Romania is adopting a suite of measures of legislative-reforming character, which aimed the fundamental segments of economy and created the support for state monopole institution in economy on importance and in against private property. Passing at socialist economy, realised through plans, initial annually and after words five-year plan, under the command of the unique party, proposes, suitable to the official strategy and politic of time, transposition in fact of economic model of industrial production, based on hard industry, model of soviet inspiration, but with some aspects and original side. In less than a half of decade, in conditions of quasi-complete international economic isolation of Romania, are destroyed the principles and fundamentals of competitive market economy, for which durability have been necessary efforts for more than a century. The key issues in the age, transmitted by the party’s structures through own activists and mass-media are: nationalisation, planning, collectivisation, which, in a relative short time have been concretized. Through settlement of socialist property is instituted the principle according with everything is of everybody and nothing of everyone. Therefore, social-economic status of a person is the one of dependence by payment revenue and by the one obtained from the production agriculture cooperatives, social protection and services financed from the state budget and given, at least theoretically, free. The equalitarianism promoted by the political power installed at the half of the fifth decade of 20th century, proposes creation and education “of the new man”, as mentalities and behaviors foreign to the individual economic interest, imposed by the voluntarism practiced by the lead of the party and base on ideology of the party.

Beginning of '90s represents a moment of resettlement, in world level, of economic reports and power⁽⁸⁾ on more levels: West Europe/USA, West Europe/Asia, USA/Asia, SUA/China etc. Concerning Europe, looked geographically, meaning from Atlantic to Ural Mountains, its extremes, respective West Europe and URSS, know contradictory and asynchrony transformations. Moscow, undertrained as power centre, on the fond of some contradictions accumulated in time by more than half a century was in a significant process of dissolution. West Europe, result of post-war is concerned by its own problems concerning the profound study of intra-comunitary relations, meaning implementation of unique market and commune coin. Generation of Jean Monnet prefigured unite Europe taking into account, mainly, post-war reconciliation. And the generation from Maastricht thought Europe, first from the premise of commune destiny. At all are added some concerns generated by the Germany's unification and convulsions of ex-Yugoslav space.

Population of countries, named Central and East Europe, respective those that half a century were component of "socialist gearing / social world system", accumulated hopes that took unexpected shapes, with different grades of intensity at the beginning of '90s. The broke of interconnections between east-European space and URSS is made in fact through a triple move: politic, in autumn of 1989; economic, in 1990-1991, through suppression of the Council of Reciprocal Economic Aid; military in 1991, through suppression of Pact from Varsove. But, we believe, detachment of soviet bloc is not a synonym of Europeanization, understood as adaptation to west-European economic model. There were missing, in bug parte, structures of resistance of functional market economy. There were missing, in identical measure, economic mentalities and behaviour specific at which this part of Europe proposes to adhere. As such, the difference between occidental prudence and oriental disorder leads to a disturbing multiplication of frustrations.

On this fond, Romanian world is crossing its own transition to the European model. The lowliness of the process and the amplitude of the pressure supplies pro and contra numerous groups that are in the political gain. It would be necessary so, in a biggest measure, a systematic education in direction of capitalism culture, within which the individualism has, in the same time, the state of judgment principle, and of behaviour norm. In fact, is translating, mainly, in placement of the person in the central of practice analysis and action. He, the individual, is suzerain and autonomic and – as said Fr. Hayek – „supreme arbiter of its purposes”. To reach this wish, social politic must have first a formatting role in constitution of mentalities and behaviour that form capitalism culture.

Looking retrospective the economy's evolution, of Rumanian world from the past two centuries, with unsimulated scope to appreciate its perspectives, we can consider that in the 19th century Romanian world entered Europe, in the 20th century – at least in its first half – it walked in the same step with Europe, but in the 21st century it entered in Europe.

Beginning of '90 surprises some of central and east European countries in full process of transition. This process generates a living debate both in conceptual aspect, and in the one of practices and ways of fulfilment of transition⁽⁹⁾, is concreting in a vast literature, from and/or about countries in transition. Without intention of minimising of theoretic nuances underlined or just remembered by diverse authors, we must precise the fact that the replacement of institutional and economic structures specific to developing socialist model with other, specific – as only conceptual – market modern economy represents a inedited sense of becoming of a part of European continent. At the annual Conference of World Bank from 28-30 of April 1999, Joseph Stiglitz, preeminent economist, expresses its opinion that transition process remembered before „...is one of the bigger experiments from all times”.

Finalising of transition, respective the new institutional and economic configuration to which it aimed the ex-communist countries, knows numerous acceptations: Social market economy, competitive market economy or functional-competitive etc. At its term, the modality to realise this wish she knows also, in literature of speciality numerous solutions, which, in essence, can be grouped in two categories: "shock" therapy or "gradual" therapy.

No matter the nuances presented above, without the pretention of an exhaustive enumeration, are evident three plans of becoming market economies in respective countries. Economic, is indispensable preponderance of private property in report with public property. Politic, is indispensable the democracy, respective the law state. And mental is indispensable the entrepreneur spirit, free initiative, innovation and risk assuming.

Social explosion, which marks the beginning of the last decade of the 20th century, the going of facts, events and processes made ulterior, particularizes the Romania case in report with the other ex-socialist countries.

The brutal break of pre-existing order of events from December '89 generated confusion within population and numerous contradictions between politic forces constituted insufficient, scraped even during the events and engaged as rapidly in the fight for power (Belli, 2001). Necessity of transition is understudied and accepted in the all world, but its implementation is marked by a deep politic fight, adopted measures having cadence of electoral calendar and a big disadvantage because they were not the result of a general consensus. Numerous economic and/or political measures, adopted under the street pressure, populist, passion and interested, have been, in big measure, against economy on long term and without pragmatism. As result, they induced additional social and economic costs, with have been added those inherent the transaction. Legislative frenzy⁽¹⁰⁾ led often to subjectivism, doubtful and monk of responsibility in property administration. The new owner, result of Romanian privatisation – in time it was made – understood that has in exclusivity only rights, not social obligations, also.

Result of voluntarism policy from '80, Romanian society accumulated immense frustrations which determined special expectations to citizens for the post-December era. Population, in the biggest part poor of elementary knowledge concerning the functioning mechanism of the functional market economy, market psychic by planning and socialist cooperativisation did not offer, in all the situations, necessary social support for reforms fulfilment, it manifested chaotic, inconsequent and, in big part, have been used, direct or implicit as field of electoral manoeuvres in cadence of electoral cycle.

At the scale of the ensemble of Romanian society is aggravates the moral crisis already existing in the moment December '89. This involves the movement of economy in which the finding yourself of the community needs recuperation or strengthen of some fundamental values that are about ethics. This kind of values is essential in period of breaks and uncertainty, when material difficulties can induce antisocial behaviour which manifests often on large scale.

The big challenge for economic policy of ex-socialist countries in the last decade of the 20th century has been, we think, conciliation of requests of economic efficiency with those appeared from the need of realisation of a acceptable grad of social cohesion. Social instability can be a dangerous negative effect in an environment that systematic produces "social excluded", respective excluded persons.

The way to competitive economy can be only a liberal one, but not with the price of exclusion of a part of the society's members. It imposes so, both for politic people and for decision factors, finding that "passing passage" between economic and social requests, without which cannot be assured economic-social stability, and economic increase on medium and long term.

A retrospective look of those almost two decades after December '89 leads us to the idea that the Romanian economic politics, through the measures adopted was, in general, of reactive type, operating ad-hoc resolving, in the absence of a systemic strategy, viable, realist and consensual. What messed was firstly an articulated "plan" of economic property that must respect by all governs passed at the lead of the country, which to express the general interest, the last one being reflected in the logic of market economy.

Adhesion to the European Union at 1st of January 2007, economic situation of Romania⁽¹¹⁾ in that moment, opens a new page of the development of Romanian economy. Adhesion efforts will be marked, of course, by the measure in which our economic mentalities would be in accordance with European tendency of economic and social progress. In this sense, we consider that are especially actual the appreciations of the big economist John M. Keynes: „The difficulty does not constitute the new ideas, but clear of the old ones, which obtained ramifications in all the corners of our mind”. It depends of us, so, the way in which we will know to walk step by step with Europe in the 21st century.

Notes:

⁽¹⁾ See more in: Gaillard, J-M., Rowley, A. (2001), *Istoria continentului european*, Editura Cartier, București; Gilpin, R. (2004), *Economia mondială în secolul 21*, Editura Polirom, Iași; Held, D., McGrew, A., Goldblatt, D., Perraton, J. (2004), *Transformări globale. Politică, economie și cultură*, Editura Polirom, Iași; Friedman, Th. (2007), *Pământul este plat. Scurtă istorie a secolului 21*, Editura Polirom, Iași;

⁽²⁾ See: Stiglitz, J., Walsh, C. (2005), *Economie*, Editura Economică, București

⁽³⁾ In specialty papers is appreciated that economic mentality is a faced of the mentality, in general. It is determined by the instructive-educative and informational process, politic system and democratic institutions, social environment, practice and economic mechanism, and compelling respect of juridical settlement. In accordance with tendencies of economic and social progress, the economic mentality contributes to economic development, and the anachronism economic mentality constitutes a brake of the social evolution. See: *Dicționar de economie* (2001) Ed.a doua, Editura Economică, București, p. 281

⁽⁴⁾ Geert Hofstede, American researcher recognised through its studies in years '80s of the past century, dedicates a complex definition of culture, underlying forth dimensions of this. According to him the „essence if culture is collective mental programming. It is that part of our conditioning which we accept together with other members of the nation, region or our group”. See: Hofstede, G. (1980), *Culture's Consequences in Work Related Values*, Beverly Hills, California, p. 27

⁽⁵⁾ Mitu, S. (2006), *Transilvania mea. Istorii, mentalități, identități*, Editura Polirom, Iași; Boghian, V. (2006), *Românii - între Păcală și Miorița*, Editura Accent Print, Suceava

⁽⁶⁾ In formulation of this approach, I had as support, statistic synthesis from the papers: Dobre, Gh.(coord), (1996), *ECONOMIA ROMÂNIEI în context European, 1938*, Editura Fundației Științifice „MEMORIA OECONOMICA”, Institutul de Economie Națională al Academiei Române,

⁽⁷⁾ Mureșan. M., Mureșan, D., *op.cit.*, p. 276-278; Mureșan, M., *Un experiment în istorie: Consiliul de Ajutor Economic Reciproc și integrarea economică internațională*, în Mureșan, M.(coord) (2007), *Economie, instituții și integrare europeană*, Editura ASE, București, p.339-294

⁽⁸⁾ Johnson, P. (2003), *O istorie a lumii moderne 1920-2000*, Editura Humanitas, București, p.675 și urm.; Gilpin, R., *op.cit.*, p. 51 și urm.; Held, D., McGrew, A., Goldblatt, D., Perraton, J., *op.cit.*, p. 296 și urm.

⁽⁹⁾ Iovițu, Mariana (1998), *Tranziția la economia de piață. Confruntări de idei contemporane*, Editura Economică, București

⁽¹⁰⁾ For exemplification, we mention that only for privatisation, understudied as central pylon of reform, in the period 1991-2000 have been realised and come into force 301 normative acts, as laws, government decisions or urgent ordinances. See Anghelache, C. (2001), *România 2001*, Editura Economică, București, p.22

⁽¹¹⁾ Anghelache, C. (2007), *România 2007. Zestrea economico-socială la aderare*, Editura Economică, București

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LEADERSHIP AND CULTURE

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Abstract. *One of the issues in international business nowadays is the tight connection between leadership strategy and corporate culture. The present paper suggests that culture is a critical variable in the strategy process and it should be explicitly examined as a part of the process. Cultural dimensions (with special reference to authors like Hofstede and Hall) affect all organizations, managers and co-workers. A combination of high individualist scores along with high masculinity scores tend to result in highly competitive organizational climates, for instance. On the other hand, effective partnership implies communication, coordination, relational commitment, trust and time to develop expectations. An emerging necessary skill for multinational managers and co-workers is building trust and relationship if they hope for success in doing business with other cultures, where relations are critical.*

JEL Classification: A13, Z19.

Key-words: leadership; culture.

Introduction

If a business fails, the blame will obviously fall on the management, on the people in control of that business. Many workplace frustrations, among which poor communication with senior management, find their causes in mismanagement. Senior leaders of major organizations often rank leadership development as their number one concern. However, the culture of the organization, although it is considered an important element in the context, is often missed. Leadership development and organizational culture are inseparable; developing both is essential to building effective organizations. Many companies fail to incorporate a cultural learning curve along with experience and efficiency curves into their thinking. Effective strategy implementation across borders, for instance, requires more than simply gathering recipes for dealing with various country business practices. Culture is a critical variable in the leadership development and it should be explicitly examined as a part of the process. The present paper is meant to be a framework for explicitly considering *cultural dimensions* as having an important influence on developing the guidelines for improving the *leadership in multinationals*.

Cultural dimensions and multinational leadership

In this 21-st century, large corporations will increasingly operate outside specific national identity, without particular reference to national or geographic boundaries. Competition within worldwide markets forces strategic interdependencies and fluid partnerships amongst peoples of diverse cultural heritage. This will require that transnational managerial leadership extends beyond the current practice of simple multiculturalism. Presently, the so-called “multicultural” focus is on the tolerance of diverse viewpoints and the endurance of cultural dissimilarities. However, in the future, it will be necessary for managerial leadership to develop a better technique of management that is beyond present cultural distinctions. This will require a more thorough conceptualization of the knowledge of different cultures and the understanding of the process of cross-cultural development. Such a conceptualization implies a formula that is capable of identifying the functional imperatives of a transnational leadership and management paradigm. When considering such economies as Romania’s, the main concern of the transnational manager is the diverse cultural dimensions within these countries and understanding the process of change as they undergo dynamic

revision. Therefore, the planning and organizational functions are far more complex than postulated by the North American techniques based upon Western cultural dimensions and experience. The present study is the result of some research that we undertook, together with our students in International Relations that had the experience of traveling and working abroad (especially in USA). That is why the paper focuses on two corporate cultures- the Romanian and the American one, that are studied comparatively, considering some of Geert Hofstede⁽¹⁾ and Edward T. Hall's⁽²⁾ cultural dimensions.

<i>Romanians</i>	<i>Americans</i>
<p><i>p.d</i>⁽¹⁾</p> <ul style="list-style-type: none"> - relatively high level of formalism in relationship and communication - high bureaucracy - negative implications for foreign direct investment and international joint-venture - depend on connections to establish and maintain business relations <p><i>Cross-cultural alliances between these two cultures (Romanian and American) may encounter challenges in each step of the leadership process.</i></p> <p><i>u.a</i> (2)</p> <ul style="list-style-type: none"> - less tolerance and less flexibility in dealing with different-from-the-known ideas, - a greater belief in experts. <p><i>m/f</i> (3)</p> <ul style="list-style-type: none"> - going for welfare and happiness - more traditional, more discriminating <p><i>I / s.t.</i>(4) <i>orientation</i></p> <ul style="list-style-type: none"> - undecided, middle of the road - there is a concern for the future, persistence - Network investors are having a difficult time - Family, friends, connections more important than goals - A too traditional approach may slow innovation (Romanians) <p><i>h./l.c. dimension</i>⁽⁵⁾</p> <p>Many covert and implicit messages, with use of metaphor and reading between the lines. (rather high-context culture)</p>	<p><i>p.d.</i></p> <ul style="list-style-type: none"> - low p.d. scores - the organizations are more flexible - individuals are seen as part of an interconnected social web whose focus is to correct shortcomings - individual performance is appreciated <p><i>u.a.</i></p> <ul style="list-style-type: none"> - need for clarity - explicit style <p><i>m/f</i></p> <ul style="list-style-type: none"> - going for performance and success - assertive - less discriminating <p><i>I / s.t. orientation</i></p> <ul style="list-style-type: none"> -reciprocal favors -short-term oriented -do not usually subordinate individual goals for a noble purpose -very pragmatic -achieving tasks and meeting goals at the expense of family, friends and partners - A concern for quick results may undermine relationships (Americans) <p><i>h./l.c. dimension</i></p> <p>Many overt and explicit messages that are simple and clear. (rather low-context culture)</p>

Cultural dimensions affect all organizations, managers and co-workers. In general, the greater power distance and uncertainty avoidance scores, the greater the preference for centralized hierarchical organizations and large scale production facilities, which appear to support firms pursuing cost leadership strategies. A relatively high long-term orientation suggests a cultural preference for continuing within hierarchical organizations. Culture may be a behavioral determinant which affects the capability of international joint venture partners to work together cooperatively. It is more and more obvious that international joint venture longevity decreases with the cultural distances between partners.

Conclusions

Although we have used Hofstede and Hall's dimensions of culture, trying to apply them both on a Western and on an Eastern management model, it seems that this kind of management model transferability might be misleading sometimes. Even when the theory appears to be valuable, it is often inaccurate because of the numerous layers of cultural dimensions that confound managers in global operations. The findings presented here reveal, among other things, that the Western management paradigm and its derivative practices are not exactly transferable to the cultures of Eastern Europe, at least not to Romanian culture. That is why we didn't use scores for the two cultures taken into account, as such studies usually contain. Perhaps this helps to explain some aspects of the reforming economies difficult experience over the past fifteen years. The peoples of these cultures looked to the West for the models that would integrate their economies into the global experience, but the idea of "one size fits all capitalism" doesn't always apply. Nevertheless, the study confirms, what many authors have said about culture and management, namely that cultural dimensions have an important influence on developing the guidelines for improving the multinational business strategy.

Notes:

- (1) Some of Geert Hofstede's cultural dimensions: Power distance (p.d) – the extend to which a society accepts the unequal distribution of power within its institutions; Masculinity/ femininity dimension – m- associated with earnings, recognition, opportunities for advancement and distinct gender roles; f- associated with strategy, democracy; Uncertainty avoidance (u.a) – denotes a preference for stability, order and predictability; Long/short term orientation.
- (2) One of Edward T. Hall's cultural dimensions/factors: High context; in a high-context culture, there are many contextual elements that help people to understand the rules. As a result, much is taken for granted. This can be very confusing for person who does not understand the 'unwritten rules' of the culture. Low context; in a low-context culture, very little is taken for granted. Whilst this means that more explanation is needed, it also means there is less chance of misunderstanding particularly when visitors are present.
- (3) p.d= power distance.
- (4) u.a= uncertainty avoidance.
- (5) m./f.=masculinity/femininity
- (6) l./s. t. orientation= long/short term orientation.
- (7) h./l. c dimension= high/low context dimension

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REDEFINING AMERICA IN THE 21ST CENTURY: LEADERSHIP, EXCEPTIONALISM, MYTHS AND REALITIES

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Abstract. *This paper will examine America's place in contemporary times from multiple disciplinary perspectives. From a cultural studies mix of historians, sociologists, cultural critics and anthropologists, the paper will explore the new meanings of the American myth and America's place in the world within a transnational context. Focusing on the nature and forms of newly established relationships in the globalization age, one hopes to foster better understanding of the complexities of the American reality.*

JEL Classification: F01, F51, F54, F59.

Key-words: american exceptionalism; leadership; international relations; globalization; transnationalism

The final days of the Soviet Union and the disintegration of the Communist bloc, the end of the Cold War and the unification of Europe, the rampant economies of India, China or Brazil, significantly changed parameters on the international stage, as well as re-configured the cultural imaginings of US as a real or “imagined community” – to use Benedict Andersen's term.

Taking stock of the transformations in the international system, Francis Fukuyama thought it signified “the end of history”⁽¹⁾. Furthermore, noticing the T-shirts displayed on 5th Avenue in New York in the most recent GAP up-beat collection, which accurately spell: “These are the last days of this society”, one cannot help but observe the changes in capabilities, roles and cultural perceptions of the United States. All of these changes are the result of political and economic reconstruction in Europe, disintegrations of the old notion of nation-state in its traditional conception of constrained and contained power and space, and the normalization in the international role of America as less “world policeman” and more “ordinary country”⁽²⁾.

Indeed, how seriously should we take the “declinist” argument that America - because of imperial outstretch and desire - has lost its competitive edge to other emerging powers? Have the new relationships in the world called in for a “partnership in leadership”⁽³⁾, or is still America the “elected nation”? And if the answer to the first question is “yes”, and one acknowledges the power shifts, how have we come to re-territorialize our cultural imaginary with the notions of a postcolonial, post-American world?

This paper does not claim to give full and complete answers to all of the above questions, but by mere account of happenings so far and by bringing together several voices debating the topic in current academic debates, it attempts a glimpse at the intricate web of relations one has to take into account when assessing America's status and position.

1. American exceptionalism: motivations, settings, explanations

Scholars⁽⁴⁾ offer several types of explanations for American ascendance to power: a *realist* one, based on US exceptional power, an *institutional* one, based on America's institutional organization, a *political* one, based on the conservatism and individualism

promoted by America's political culture and, a *cultural* one, based on the American belief in a Providential destiny.

1.1. Realist stance

The realist explanation of American exceptionalism begins with America's acquired power starting with 1945. At the end of World War II, American GDP was 10 times that of Britain, another rogue state in the world economic and political map at the time. US were paying most of the Allies' economic costs and Russia beard most of war losses. When Stalin, Churchill and Roosevelt met at the Yalta Conference in February 1945, there were no "big three" there, but, rather "big two" and a shrewd political entrepreneur who was able to keep his country in the game and save its power well into the 20th century. On the other hand, in return for loans to London, US took over dozens of British bases in the Carribbean, Canada, the Indian Ocean and the Pacific. "The British empire is handed over to the American pawnbroker" – said one member of the British Parliament. Keynes was even more upset, describing this situation as an attempt to "pick out the eyes of the British empire". Nevertheless, distinguished historians like Arnold Toynbee consoled England that US "hand will be a great deal lighter than that of Russia, Germany or Japan and I suppose these are the alternatives".

American economy lasted more than 130 years. It has been the world's largest since the 1880s. As Fareed Zakaria⁽⁵⁾ observes, "America has held a surprisingly constant share of global GDP ever since 1880. With the brief exception of the late 1940s and 1950s – when the rest of the industrialized world had been destroyed and America's share rose to 50%! – the United States has accounted for roughly a quarter of world output for over a century (32% in 1932, 26% in 1960, 22% in 1980, 27% in 2000, 26% in 2007)"⁽⁶⁾. Also, according to estimates, in 2025, US economy will be twice the size of China's in terms of nominal GDP – though in terms of PPP the gap will be smaller⁽⁷⁾. In terms of military power, America dominates and spends more than the next 14 countries put together, accounting for almost 50% of the global defense spending and all of this not taking into account technologic and scientific edge, which US spends more on than the whole rest of the world. The war in Iraq has been expensive but the price for both Iraq and Afghanistan together – 125 billion dollars/year – represents less than 1% of GDP. In spite of present signs of recession, America remains a vibrant economy.

1.2 Institutional stance

In the introduction of the study entitled "American Exceptionalism and Human Rights"⁽⁸⁾, Michael Ignatieff reviews some of the most relevant observations related to the US particular type of institutions and system of government, a system that allowed this country to keep immune to foreign influence. In the same study, Andrew Moravcsik focuses on institutional factors, stressing the importance of US federalism and the ratification process for treaties in the US senate⁽⁹⁾. As such, the US system lends significant powers to the states, meaning that, for example, key issues like punishment in the case of human rights, remain beyond the control of the central state, as they remain in the case of many European countries.

Next, the US Senate requires two thirds majority for ratification of international treaties – a significantly higher standard for incorporating international laws – as opposed to other democracies in the world. These institutional features, created primarily for the traditional American fierce protection of individual rights and liberties, now further impose exceptional institutional barriers to nationwide compliance with international law.

Moreover, the US has had a history of political stability which increased the sense of political self-sufficiency and reduced the willingness to lock-in own institutions with foreign treaties. Moravicsik astutely points that US never faced fascism or occupation at home, or a serious threat of foreign invasion. One might add that there is always today the problem of terrorist subversion, but the issue of total invasion has never been a point to make in the case of US. As shown in Ignatieff's study, what drove Western Europeans to create the European

Convention of Human Rights was the catastrophe of two world wars, followed by the vulnerability of their post war democracies; “thus European states reluctantly accepted an enforceable transnational human rights regime limiting their sovereignty because it appeared to protect their democratic experiment” (Ignatieff, 2005, p. 17). The US never had to concede to such incentives and surrender its state prerogatives, consequently viewing transnational international law as potential threat to its well established democratic sovereignty.

1.3 *Politics stance*

American political culture is more conservative in comparison to post-1945 Europe, as Moravcsik argues. This historical strength of American conservatism is a significant factor explaining American exceptionalism, but an important observation to be made is that American conservatism is not to be equated with isolationism. Yet, America is not the only powerful state that believed in the special mission to export its vision of democracy and governance into the world. As history attests, starting with Napoleon, France sought to export its legal culture to neighbour states and colonies, as part of a civilizing mission⁽¹⁰⁾. Also, the British empire thought that the British had a special talent for governing and governance and were to spread the rule of law on to Kipling's “lesser breeds”⁽¹¹⁾.

To offer another example, in the 20th century, another power-the Soviet Union-advanced claims regarding the superiority of Soviet governing based on Marxist ideology, and proposed central planning as universally valid system of organizing the state. It was not until the faltering of the Soviet bloc that the world noticed the cracks in the Soviet regime.

Viewed against these historical facts, American politics has come to be seen as the last imperial ideology left standing in the world. This is why American messianic ideology – which many Americans consider a sincere desire to share with the world the benefits of a system that works – has been accused of hegemonic claims of interference in other states' internal affairs.

1.4 *Cultural stance*

As stated before, over the years, the expression “American Exceptionalism” and the realities that it populates, also the claims of leadership, have sparked fierce debates in both academic and political fields. The expression, most often attributed to Alexis de Tocqueville refers to the perception that the US differs qualitatively from the other developed nations, because of its unique origins, national credo, historical evolution and distinctive political and religious institutions⁽¹²⁾. The expression also connotes the idea that America's commitment to liberty, equality, individualism, federalism, laissez-faire, protected it from the negatives that led to corruption in other countries. In American political life, this phrase and its similar have been present in the words of almost every American president, starting with George Washington's Farewell Address, through Lincoln's Gettysburg Address, to Reagan's image of the “shining city on the hill” and to nearly every George W. Bush speech after September, 11⁽¹³⁾.

Over time, there have been voices (Ignatieff, Koh, Radford Ruether) who have criticized the American claim to exceptionalism. In studies suggestively entitled *America's Jekyll-and-Hyde Exceptionalism*, or *The Two Faces of America: The Ideal America as Deception and as Protest*, scholars have analyzed the double identity of America, or the ideal America and its “evil twin”⁽¹⁴⁾. In the spirit of these criticisms, scholars discuss America's double identity: the ideology of God and love, law and order, democracy and freedom, and the evil twin that is concealed behind this rhetoric of positive national values. The messianic cultural tradition has a long history behind, from the Massachusetts Bay vision as the “City upon the Hill” in the sermons of the Puritan John Winthrop and the speeches of Reagan, to the rhetoric of Manifest Destiny that accompanied westward expansion in the 19th century, the Wilsonian vision of making the world safe for democracy in the aftermath of World War I and Roosevelt's battle for the “four freedoms” in World War II⁽¹⁵⁾. From this point of view, as Ignatieff notably observes, this sense of mission has reconceptualised the idea multilateral order of

international law “not as a system of constraints on US, but as a forum in which US leadership can be exercised and American intuitions about freedom and government can be spread across the world” (Ignatieff, 2005, p. 13). Moreover, many of the American leaders intervene in Nicaragua, Chile, Vietnam, Iran, Iraq, pursuing what they call policies of national self-interest that many Americans would regard as awfully unjust. Mark Twain, one of the sharpest critics of the country whose citizen he was, never failed to condemn America’s unjust actions. In a satiric essay entitled “To the person sitting in the darkness”, he assumes the voice of the colonized Filipino during the Spanish American wars of the period, saying: “There is something curious about this – curious and unaccountable. There must be two Americas; one that sets the captive free and one that takes the once captive’s new freedom away from him and picks a quarrel with him with nothing to found it on, then kills him to get his land”⁽¹⁶⁾.

The desire for moral leadership is more than the average nationalist trait that most powerful states display. It is deeply rooted in the achievements and success stories of US history so far, as America believes in the work of a Providential design that designates America to export its models. On the other hand, when one nation is so right in all its projects and laying foundations, then it has nothing to learn from the rest of the world. Or, as Frederick Schauer and Richard H. Pildes⁽¹⁷⁾ put it “in the messianic American moral project, America teaches the meaning of liberty to the world; it does not learn from others” (Schauer and Pildes, 1999).

2. Assessing American Exceptionalism

Since September 11, 2001, the image of a vengeful America has dominated mass-media. The advent of a relentless war on terror has altered the balance of political forces and generated the spectre of a hegemonic order founded on a capitalist ethos – ever more powerful after the collapse of the Soviet Union - , driving the world towards a rapacious free-market, supervised by the World Bank, the International Monetary Fund and the World Trade Organization.

The balance of power shifted several times, re-organized the world in fewer influence zones – US, Europe, Asia – and the concept of superpower has been extended to the phenomenon called globalization based on the logic of capital accumulation and profit-centred industrialization.

Finance capital crosses national boundaries, rapid technological leaps are made and electronic communication connects a world whose state boundaries become porous and permeable under the urge of a transnational community in which the spectre of the “Other” is suppressed by intellectuals claiming to be post-nationalist cosmopolitans.

To assess the structure of the international system in present times, we will use the term “structure” to refer to “the ordering of principles and to the distribution of capabilities among units that lead to different forms of polarity”⁽¹⁸⁾.

In a visionary collection of essays entitled “America and Europe in an Era of Change”, various scholars argue several standpoint and types of structures in the international system. In Chapter 2 of the study Stephen D. Krasner adopts a realist stance, asserting that “the range of options available to any state is constrained by the international distribution of power” (Krasner, 1993: pp. 21). In his vision, the distribution of power between US and the Soviet Union has changed from bipolarity to unipolarity. Soviet power faltered, but, at the same time, the very hierarchic structure bearing US at the top has also altered, giving way to a more equal distribution of power, since other emerging economies gained ground (Japan, China, India, etc).

Joseph S. Nye and Robert O. Keohane⁽¹⁹⁾ maintain that neither the Soviet Union, nor subsequent Russia will be able to keep a status of superpower, although it will remain an important figure in the world equation due to the fact that it produces the largest share of oil in the world and has vast natural resources.

Peter J. Katzenstein⁽²⁰⁾ argues that three zones of influence will emerge: America, Asia and Europe. This type of regionalism leads to a structure of three power stances, a structure similar to Keohanes' tripolar system made up of Japan, Europe and US. However, globalization and its propelling ideology – globalism have demonstrated that the notion of regional territories is undermined by strong transnational forces and still existing nationalisms that prevent large scale regional cohesion. J. Nye proposes an image of the international system as a layer cake in which “the Americans predominate in the top military layer, the economic middle layer is multilayer (and has been for two decades), and the bottom layer of transnational interdependence is characterized by a diffusion of power” (Nye, 1993: pp. 99).

As fast as structures move in the arena of international relations, the same speed applies to concepts and theories in the cultural perceptions about nations. Not long ago, scholars were talking about nations and states, forms of centralization of power, imagined communities and the sense of creating such communities by cohesion of thought, national values and mentalities. With the advent of globalization, cosmopolitanism and a pervasive superfluous sense of contained nations within geographic borders, a multiculturalism celebrating difference and tolerance, deterritorialization became a common concept to describe a borderless world. As an academic notion, deterritorialization describes diverse post-foundational critiques of already such meta-subjects as the state, power, nation, identity, affiliation. By post-foundational critiques we mean recent theories postulating instability, de-centering, openness, and anti-essentialism (often coined as post-structuralism, or postmodernism to mention an already old terminology). As Matthew Sparke⁽²¹⁾ contends, “deterritorialization meant unpacking the ways such subjects had previously been treated as contained units or *spaces*” (Sparke, 2005, Introduction, II). The gap between essentialist views on state, power, influence and ontological arguments about the death of distance or of barrier, have subjected US and American leadership to a new scrutiny in the academic environment. The multicultural project engendered and fostered by America itself and the ideology of political correctness come back to undermine from within a nation that offers itself as example to the world. Furthermore, America is being accused of the so-called “flying buttress mentality” with a term coined by Louis Henkin and the application of double standards when it comes to its engagement with the world. By double standards, America judges itself by different standards from those it uses to judge other states and also judges its friends and enemies by different standards. The “flying buttress” mentality has been related to another face of American exceptionalism: “Why is it, Louis Henkin asks, that in the cathedral of international human rights the US is so often seen as a flying buttress rather than a pillar, willing to stand outside the structure supporting it, but unwilling to subject itself to the critical examination and rules of that structure?” The answer given by scholars⁽²²⁾ asserts that “by supporting and following the rules of the international realm, but out of a sense of political prudence rather than legal obligation, US enjoys the appearance of compliance, while maintaining the illusion of sovereignty” and Koh finds an illustrative example to parallel and explain this position: “it is a bit like the driver who regularly breaks the speed limit but rarely gets a ticket because he uses radar detectors [...]. He complies but does not obey” (Koh, 2005: pp. 117).

Indeed, when it comes to America, opinions are split, but there are two large camps that one may subscribe: the still believers in the American myth as exemplary nation and the rising wave of anti-Americanism, more powerful than ever since the Iraq war. The new attitudes towards US, are also indicative of the shifts in global influence and power and the recent descending trends in US economy. Alarming titles in both academic world (*Alternative Visions of World Order*, *The Decline of America*, *America Against the World*, *American Disorientation*⁽²³⁾) and newspaper media (*Dollar Dilemmas*, *Showers turning to Storms*, *Crude Measures*, *Stepping Backwards*, *Map of Misery*, *Crude Threat*⁽²⁴⁾) are indicative of a world in that Fareed Zakaria editor of *Newsweek International* has named the *Post-American World*. Yet Zakaria's thesis is not “the decline of America, but, rather, the rise of everyone else” (Zakaria, 2008, p. 3). He feels that this period of transition to a post-American world has been under way for some time now, in that America will retain a prominent position-especially in

military points-but there are a number of other countries and regions that have become strong actors on the world stage. Zakaria cites the familiar statistics about the rates of growth registered by countries like Brazil, China, India and argues that the shift is more than only economic or material. For now, “Modernization does no longer imply Westernization” (Zakaria, 2008: pp. 65), although for many years now the concepts of “modern life” and Western have overlapped, but this split in concepts will nevertheless ensure “a world of enormous cultural diversity and exoticism” (Zakaria, 2008: pp. 35). Even before 2008, some of Zakaria’s ideas have been iterated by a British historian at Yale University- Paul Kennedy who postulated the concept of relative decline of America in his 1987 classic writing “The Rise and Fall of the Great Powers”. Accordingly, although America plays in a class of its own, it faces the challenges of its acquired status “from relative erosion in the face of the ever shifting patterns of global production” (Zakaria, 2008: pp. 123).

On the eve of a post-American world, in order to keep its significance on the world map, America has to choose its priorities, work with “rest” and agree on common international rules of interaction. Or, as Zakaria concludes “Washington needs to begin a serious transformation of its global strategy, moving from being the dominating hegemon to a role that is more like an honest broker. It must seek to share power, create coalitions, build legitimacy [...]” (Zakaria, 2008: pp. 235).

Notes:

- (1) Francis Fukuyama, “The End of History?”, *The National Interest*, no.16 (Summer 1989), pp. 3-18
- (2) Richard Rosecrance ed., *America as an Ordinary Country: US Foreign Policy and the Future* Ithaca, NY: Cornell University Press, 1976
- (3) The expression is used by Paul Kennedy in his seminal work *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* New York: Random House, 1967
- (4) Michael Ignatieff, Samuel P. Huntington, Frederick Schauer etc.
- (5) Fareed Zakaria, *The Post-American World*, New York: WW Norton & Company, 2008, p.181
- (6) The numbers are based on market exchange rates. These numbers in PPP (purchasing power parity) would be 19% in 1913, 27% in 1950, 22% in 1973, 22% in 1998, 19% in 2007. The PPP numbers lead to a likely pattern – American power relatively stable at cca. 20% of global GDP.
- (7) Dominic Wilson and Roopa Purushothaman, *Dreaming with BRICs: The Path to 2050*, Goldman Sachs, Global Economics Paper no.99, Oct.1, 2003. This is a widely cited study in projections of this kind, but since its publication, Zakaria notices that BRICs have been growing at a faster rate than the study envisaged.
- (8) Michael Ignatieff (ed.), *American Exceptionalism and Human Rights*, Princeton: Princeton University Press, 2005.
- (9) Also Andrew Moravcsik in *The Cost of Acting Alone: Multilateralism and US Foreign Policy*, ed. Sheperd Foreman and Patrick Stewart (Boulder, CO: Lynne Reiner, 2001).
- (10) See Pascal Blanchard and Sandrine Lemaire on the “mission civilatrice” in the French colonies in *Culture Imperiale, 1931-1961. Les colonies au coeur de la Republique*, Paris, Edition Autrement, 2004.
- (11) Niall Ferguson, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (London: Basic Books, 2002) Chapter 3: The Mission.
- (12) See also Deborah L. Madsen, *American Exceptionalism* (1998) (cultural traditions), Robert Kagan, *Of Paradise and Power: America and Europe in the New World Order* (2003) (differences between America and Europe).
- (13) Harold Hongju Koh, “America’s Jekyll-and Hyde Exceptionalism” : 111 in *American Exceptionalism and Human Rights*.
- (14) William Blum, *Killing Hope: US Military and CIA Interventions since World War II*.
- (15) Walter Russell Mead, *Special Providence: American Foreign Policy and How It Changed the World* (New York, the Century Foundation, 2001), Chapter 5.
- (16) “To the Person Sitting in Darkness” in W. Blair (ed.), *Selected Shorter Writing of Mark Twain* (Boston: Houghton Mifflin Company, 1968), p.299.
- (17) Frederick Schauer and Richard H. Pildes *Electoral Exceptionalism and the First Amendment*, *Texas Law Review* 77, June 1999).
- (18) As used in *America and Europe in an Era of Change*.
- (19) In *America and Europe in an Era of Change*.
- (20) In “Regions in Competition: Comparative Advantages of America, Europe and Asia”, Chapter 7, p. 105.
- (21) Matthew Sparke, *In the Space of Theory Postfoundational Geographies of the Nation-State*, University of Minnesota Press, Minneapolis London, 2005.

⁽²²⁾ Harold Hongju Koh, pp 116.

⁽²³⁾ At random extracted from the books and articles in the bibliography.

⁽²⁴⁾ Titles taken at random from recent editions of *The Economist*.

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GENDER FAIR LANGUAGE USED IN BUSINESS CORRESPONDENCE - AN EXPRESSION OF LEADERSHIP

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Abstract. *Gender differences appear in all societies and they are reflected in language, giving birth to sex cultural stereotypes. The male-centred culture was studied by feminist critics (and not only), who drew the attention to the authority and leadership imbalance. The language of business (as well as that of politics and diplomacy) tries to settle this imbalance by offering a gender fair response to the issue.*

JEL Classification: Z00.

Key-words: business correspondence; leadership.

Introduction

Men and women occupy separate cultural spheres as well as separate biological ones. Cultural differences between the sexes occur in all known societies and are made manifest in language, the shaper of human reality.

It was not until the 1960s that feminist critics brought to light the hidden assumptions of male-centered culture in which "female" is defined by negative reference to "male" as the human norm. For most of human history - read by feminists as "his story" - women internalized civilization's reigning patriarchal biases and accepted the cultural constructs defining masculinity and femininity.

Stereotypical maleness and femaleness are built into the patriarchal culture and expressed in the language of both art and life. Feminist theorists pointed out that language categorizes and structures one's concept of oneself, others, and society, and amassed evidence indicating the male bias is encoded in our linguistic conventions. For example, the nouns "man" or "mankind" are used to define all human beings, and the pronouns "he" and "his" often refer to ostensibly gender-neutral nouns such as God, inventor, author, poet - and the advertiser as well. (Sp-ender, 1980) The gender identification created and maintained in language was based on the male as a normative model of the self and the female as a deviant "other," first identified in Simone de Beauvoir's landmark book, *The Second Sex*.(de Beauvpor, 1953). Since that time, feminist critics have brought to light the almost unthinkable acceptance of male norms and female opposites hidden beneath the surface.

By the 1960s, feminist researchers had begun to uncover the extent to which male dominance is so rooted in our terminology that it is accepted as "normal" language. Feminist scholars were the first to organize a school of criticism to recognize the presence of women (albeit their official invisibility), the kinship among them, and the differences between this sub rosa group and that of the male mainstream. Feminist criticism always examines cultural factors because to understand a woman's point of view (as a character in a novel or in an advertisement), a critic must take into account the social, legal, and economic status of women in society.

Three characteristics of women's language

Beginning with Lakoff (1975), feminist critics have set out to specify the impact of place on "woman's language," that distinct feminine style of speaking and writing. They have focused on sentence structure, diction (word choice), organizational flow, and characteristic images to ascertain how women select and combine words in everyday life. This usage is related to the covert messages that culture sends about women's place. Women's speech reflects cultural imperatives calling for niceness, politeness, ladylike expression, and concern for the feelings of others. Women externalize society's message to be "nice" in their speech, just as men externalize society's permission to be "rough": male talk can be powerful, hard, and intellectual as a result of man's place from childhood on-the ball field, the army, the factory. But women are expected to speak more softly. Three characteristics that mark women's language as special are its propriety, hesitancy, and verbal excess. (Lakoff, 1975)

Propriety

Propriety in word choice (diction) and grammar reinforces the dual sexual standard. First and foremost, women are expected to talk "like ladies." This entails avoiding obscene words, curses, and angry expletives. Sexual or scatological terms are taboo for women, while men who curse are considered "one of the guys."

In addition to sanitized diction, women are also expected to use hyper-correct grammar and any polite forms of address the language possesses. The expectation of perfect correctness harks back to women's role as the keeper of the cultural flame: while men went off to work and war to protect society, women stayed home to preserve its cherished values for transmission to future generations. Women have traditionally been regarded as guardians of the language, primarily as mothers teaching their children informally, but also in more formal occupational roles as elementary school teachers and librarians. Women were thus conventionally cast as conservators of language deemed proper in reference to dictional choice and grammatical structure.

Hesitancy

Women's language also avoids the taint of impropriety by displaying hesitancy or tentativeness. This hesitancy is expressed in two ways: a tendency to make assertions using tag-question form and a reliance on "hedge" or filler words. Women are likely to state things tentatively either by appending a question to a declarative sentence or by turning a statement into a question. For example, a simple declarative sentence reads: "It's a nice day." This is made tentative by a tacked-on question: "It's a nice day, isn't it?" or by the interrogative, "Isn't it a nice day?"

A second way to express uncertainty is to circumlocute, and women tend to use "filler" and "hedge" words that undercut ideas so that they may be stated, but not strongly enough to provoke disagreement. Empty adjectives, long stripped of substantive meaning, such as "divine, charming, cute" are all-purpose descriptors attached to nearly any noun. Additionally, meaningless filler expressions such as "well," "you know," "sort of," or "like" punctuate sentences.

Verbal excess

Related to women's use of tentative expressions and filler words is the last characteristic: a tendency to verbal excess. One kind of excess is sheer verbosity – constructions that use more words than necessary to express a thought. This, of course, inevitably accompanies reliance on filler phrases and is a means of softening direct assertions by circumlocution, or beating around the bush. Another kind of excess is hyperbole or overstatement. Language is hyperbolic when frequent underlining or italicizing of words and expressions occurs, when unremarkable comments end with exclamation points, and when emphatic words are sprinkled throughout.

The issue of cultural conditioning leads to the need for more careful examination of whether (or how) the language of marketing, advertising, business etc. perpetuates/changes sexrole stereotypes. Despite objectively similar roles that can be taken by men or women

nowadays, stereotypes about sex-linked appropriate behaviors - including language persist and are embodied in advertisements, business letters and other documents. Even though women have entered the work force and educational institutions in record numbers in the past decades, old habits built into the traditional cultural heritage die hard. The construct of appropriate role behaviors may be changing more slowly than the actual sociocultural changes in role performance

Gender-fair language to be used in business correspondence

The language used in business correspondence provides an important model for students and the larger community. Word choices often reflect unconscious assumptions about gender roles. As professionals, we all need to examine our language to reduce or eliminate choices that silence, stereotype, or constrain others. The following examples provide inclusionary alternatives to specific exclusionary wording. Many are matters of vocabulary; others are matters of usage. What follows details choices and recommendations¹ that address the following issues of gender-fair language use:

Eliminate the generic use of 'he' by:

- using plural nouns
- deleting 'he', 'his', and 'him' altogether
- substituting articles ('the', 'a', 'an') for 'his'; and 'who' for 'he'
- substituting 'one', 'we', or 'you'
- minimizing use of indefinite pronouns (e.g., 'everybody', 'someone')
- using the passive voice [use sparingly]
- substituting nouns for pronouns [use sparingly]

Eliminate sexism when addressing persons formally by:

- using 'Ms' instead of 'Miss' or 'Mrs.', even when a woman's marital status is known
- using a married woman's first name instead of her husband's (e.g., "Ms. Annabelle Lee" not "Mrs. Herman Lee")
- using the corresponding title for females ('Ms.', 'Dr.', 'Prof.') whenever a title is appropriate for males
- using 'Dear Colleague' or 'Editor' or 'Professor', etc. in letters to unknown persons (instead of 'Dear Sir', 'Gentlemen')

Eliminate sexual stereotyping of roles by:

- using the same term (which avoids the generic 'man') for both females and males (e.g., 'department chair' or 'chairperson'), or by using the corresponding verb (e.g., 'to chair')
- not calling attention to irrelevancies (e.g., 'lady lawyer', 'male nurse')

Examples:

Instead of	Use
If a student studies hard, he will succeed.	If a student studies hard, he or she will succeed. If a student studies hard, she or he will succeed. Students who study hard will succeed.
The average student is worried about his grades.	The average student is worried about grades.
When the student hands in his paper, grade it immediately.	When the student hands in the paper, grade it immediately.
Each student will do better if he has a voice in the decision.	Students will do better if they have a voice in the decision.

¹ see Enache, M. et al.(2005) Commercial Correspondence, Editura Universitara

When a teacher asks a question, he seeks student response	When you ask your students a question, you are asking for student response.
When everyone contributes his own ideas, the discussion will be a success.	When all the students contribute their own ideas, the discussion will be a success. When everyone contributes her or his own ideas, the discussion will be a success.
Mankind man's achievements the best man for the job man the controls man the ticket booth chairman/chairwomen businessman/businesswoman congressman/congresswoman policeman/policewoman fireman mailman stewardess	humanity, human beings, people human achievements the best person for the job take charge of staff the ticket booth chair, coordinator, moderator, presiding officer, head, chairperson business executive, manager, businessperson congressional representative police officer firefighter postal worker, letter carrier flight attendant, steward

- Often, it makes sense to use the plural instead of the singular.

Avoid exclusionary forms such as	Choose inclusionary alternatives
Give the student his task right away.	Give the students their tasks right away.
Ask the student to turn in his work as soon as he is finished.	Ask students to hand in their work as soon as they are finished.

- The first- or second-person pronoun can sometimes be substituted for the third person.

Avoid exclusionary forms such as	Choose inclusionary alternatives
As a teacher, he faces excessive paperwork daily.	As teachers, we face excessive paperwork daily.

- In some situations, the form one/one's can be substituted for he/his, but this construction should be used sparingly to avoid changing the tone of the writing.

Avoid exclusionary forms such as	Choose inclusionary alternatives
He might wonder what his response should be.	One might wonder what one's response should be.

- A sentence with he or his can sometimes be recast in the passive voice. Although the passive voice has been much maligned, it has a valid function if not overused.

Avoid exclusionary forms such as	Choose inclusionary alternatives
Each businessman should hand in his tax forms promptly.	Tax forms should be handed in promptly.
The average citizen pays his taxes promptly.	Taxes are paid promptly by the average citizen.

- A sentence with he or his can be recast by substituting a participial phrase for a clause.

Avoid exclusionary forms such as	Choose inclusionary alternatives
Listen to the speaker as he uses his short, clear sentences to communicate his message.	Listen to the speaker using short, clear sentences to communicate the message.

As educators we must strive to provide gender balance through the careful selection of materials.

- A balance of literature by and about both women and men should be included whenever possible.
- Materials should be chosen to emphasize gender equity and to show males and females in traditional and nontraditional roles.
- Trade books, texts, videos, and other media resources should be chosen to show females and males actively participating in a variety of situations at home, work, or business.
- Present gender-equitable examples by alternating male and female names and by avoiding the use of stereotyped gender roles. When discussing roles traditionally held by males, use examples of females in those roles; use examples of males in roles traditionally held by females.
- Establish collaborative groups composed of both males and females to provide opportunities for all voices to be heard.
- Value intellect; avoid references to appearance and physical attributes.
- Choose females for leadership positions as often as males.
- Avoid comments or humor that demean or stereotype males or females.

Although women now comprise over 50 percent of the work force, they still have a long way to break the invisible barriers of sex stereotypes. Sex discrimination and deregulation have helped women make into the once male-dominated corporate world, but progress is slow. (Lahoff, 2000)

Studies are currently being conducted to determine whether the effects of low salaries and prestige are a result of sex-biased language. There is reason to believe this is the case since other studies give clear evidence that sex-role stereotypes as well as sex-characteristic stereotypes influence individuals' perception of women in leadership roles.⁽¹⁾

In this context, the selection of words takes on new meaning. When communicating, we should choose words carefully to avoid sex discrimination both in the selection process and by assigning a person – or group – to a leading or subordinate role.

Notes:

⁽¹⁾ Stern, B. (2000) Gender and Multicultural Issues in Advertising, *Journal of Advertising*, 28.

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SUSTAINABILITY REPORTING AS A BENCHMARK FOR SUSTAINABLE LEADERSHIP

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Abstract. *The paper provides definitions of corporate social responsibility as defined in research literature. While corporate communication is important for the well-functioning and image-building of companies, current understanding of sustainability reporting practices is limited. The author assesses the opportunities of using sustainable reporting in increasing the leading role of companies on a more competitive global market.*

JEL Classification: M14, M30, M31.

Key-words: global market; leadership; social responsibility; global reporting initiative.

Defining corporate social responsibility

The role of social corporate responsibility in corporate communication has been a central issue for the past decade. Its main role is defined as a process of giving legitimacy for the activity of corporations. *Corporate social responsibility* (CSR) is a concept whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders on a voluntary basis. Carol says that the “social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point of time” (Carroll, 1979).

The concept of CSR has changed over the years – from being viewed a set of rules of conduct to having a more universal societal meaning. Corporations are held accountable for their actions by the members of society. Thus, companies are expected to provide mechanisms for efficient communication with the public and create disclosure practices in a standardized form. Governments, non-governmental agencies and the public exercise pressure on companies to demonstrate their ability to improve corporate operations both socially and environmentally. One of the outcomes of this multiple pressure is the fact that companies are faced with the challenge of providing tangible evidence of their commitment to long-term improvement (Preston, 1981).

Thus, companies have played an increasing attention to the importance of demonstrating commitment to CSR by offering clear and precise information, similar to more traditional financial reporting documents. Clearly, CSR reporting reflects the desire to build a good reputation on the market. Reporting on the corporate social responsibility (CSR) activities of a company is an integral part of the corporate external communication and is a key tool for talking with shareholders about company’s external CSR activities (Aldrich, Fiol, 1994). From a public relations perspective, a public- information model should communicate “to the public what the organization has done to be responsible and should explain lapses into irresponsibility” (Grunig, Hunt, 1984). Furthermore, CSR reporting is of voluntary nature and it occurs mainly within economic, social, governmental and social domains.

Traditional financial reporting has contributed to the emergence and development of corporate social responsibility standards. It has been asserted that organizations are more likely to improve their practices if they can create a tool for measuring their performance. Even though corporations have used their own standards, external players have developed standards and guidelines for sustainable reporting.

The Global Reporting Initiative played a crucial role in developing the sustainable reporting standards and is now the international standard for corporate reporting on environmental, social and economic performance.

Global Reporting Initiative - GRI

CERES (the American nationwide network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change, described the following developments in 1997:

1. Companies were increasingly receiving multiple diverse, incompatible and time-consuming requests for information about their environmental and social performance;
2. Reporting by companies to stakeholders was varied in content, inconsistent, incomplete, lacked comparability between companies and reporting periods, and even irregular in frequency;
3. There were signs of increasing numbers of reporting guidelines and frameworks being introduced in various countries and sectors and from various sources.

To address all the above mentioned challenges, CERES together with the United Nations Environmental Programme (UNEP) European Office in Paris decided to work on providing global standardization of format and content for corporate reporting on environmental performance. Thus, the Global Reporting Initiative (GRI) was developed in 1997. This project was carried out and funded by CERES. Its mission statement was that of elevating sustainability reporting practices to a level equivalent to that of financial reporting in rigour, comparability and general acceptance (Willis, 2003). The two organizations succeeded in bringing together the interests of key players and involve various international organizations as to ensure the wide acceptance of the new guidelines.

As mentioned above CSR reporting incorporates along with environmental performance both social and economic performance. The GRI guidelines incorporate these indicators. The 2000 Guidelines were divided into four main parts:

1. *Introduction and General Guidance*: describes the guidelines, presents the potential users, flexibility in use and relationship with other initiatives.
2. *Reporting Principles and Practices*: describes underlying principles and qualitative characteristics in GRI reporting, classification of reporting elements and reporting practices. Applying these principles brings the rigour, reliability, completeness, timeliness and comparability to financial reporting. The added value is the social and environmental dimension which is the outcome of SCR practices.
3. *Report Content*: consists of several headings, such as *CEO statement* – setting the tone, describing key elements of the report; *Profile of Reporting Organization* – providing a context for understanding and evaluating the information in the rest of the report; *Executive Summary and Key Indicators* – a short summary of key information that provides a broad overview of the organization's sustainability performance in the current period and where possible the two preceding periods; *Vision and Strategy* – discussing the vision and how that integrates economic, social and environmental performance; *Policies, Organizational and Management Systems* – how these are designed to enable the organization to implement its vision and strategy (disclosure about shareholders' engagement processes is an important component of this section); *Performance* – environmental, economic and social – the qualitative and quantitative information necessary to enable the report reader to understand and evaluate performance in the latest and two preceding reporting periods.
4. *Annexes*: implementation of the guidelines by a company, guidance on ratio indicators.

The GRI Guidelines improve the quality of information reported by companies about their environmental, social and economic impact and performance. However, these have not

been developed as mandatory reporting requirements. These are intended for use by all types of companies. The GRI has sectorial subsections which have specific relevance for the target audience. Furthermore, the guidelines do not represent a code of conduct or a performance standard, they are intended to assist a company in reporting how it performs relative to such codes and standards. The GRI expects that eventually reporting companies and their shareholders will support the idea of independently audited sustainability reports as to enhance their credibility.

Financial reporting is addressed to a well-defined set of users – participants in capital markets. In the case of sustainability reporting, it is addressed to a far wider range of potential readers. The GRI Guidelines could become a supplement to questionnaires, interviews, press releases, media reports and other sources of information traditionally used for screening in investment decision making.

The GRI Guidelines, as they evolve and improve over time, will cause companies to report aspects of their policies, practices and performance that will be of importance to corporate management in charge of socially responsible investment portfolios. The information reported by companies using the Guidelines will not only be used for screening purposes, but it will contain the qualitative features that will provide reliability and comparability similar to that usually encountered in financial reporting.

Corporate social responsibility model as shown above has become an integral part of corporate communication. Companies communicate and disclose their role in society and their contribution is presented in a globally accepted reporting format. Companies, such as Nike, McDonalds and Kinko's produce sustainability reports following common comparable indicators, provide both quantitative and qualitative assessment of their operations. A close insight into main reporting practices provides a valuable learning tool for assimilating and better understanding SCR practices on a global scale.

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GLOBALISATION IS RESHAPING THE ROMANIAN CULTURE

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Abstract. *The present paper discusses the influence that globalisation has on Romanian culture. Globalisation proves that there are some new trends in social change. The term itself started to be used extensively 20 to 25 years ago, explaining recent waves in economics, technology, society, meaning change in institutions, norms, values and culture. Most authors agree that globalisation is nothing new. To some it began with the Turks taking control of the silk road, to others it began by passing through the seas of the Cape of Good Hope and with the discovery of America; still, others believe it began towards the end of 19th century with the beginning of the Industrial Revolution, which brought on the development of production and transportation means. Therefore, globalization has been around since the beginning of mankind. But one thing is sure, as communication has lately spread. While the process of globalization is nothing new, it has become increasingly obvious in recent years. From a sociological and cultural point of view, global culture, the offspring of globalization, is a standardization process of lifestyles, models, tastes, goods, services, customs. It is a process that can bring together very different people which can feel closer simply because they can purchase the same food, the same fashion items, and share cultural forms that are more and more alike, but also it is a process that has many negative influences over people and culture.*

JEL Classification: A13, Z19.

Key-words: globalization; Romanian leadership; culture.

Influence of global modernity and culture over romanian culture

Globalisation proves that there are some new trends in social changes. The term itself started to be used extensively 20 to 25 years ago, explaining recent waves in economics, technology, society, meaning change in institutions, norms, values and culture. Most authors agree that globalisation is nothing new. To some, it began with the Turks taking control of the silk road, to others it began by passing through the seas of the Cape of Good Hope and with the discovery of America; still, others believe it began towards the end of 19th century with the beginning of the Industrial Revolution, which brought on the development of production and transportation means. Therefore, globalization has been around since the beginning of mankind. But one thing is sure, as communication has lately spread, the process of globalization becomes more and more obvious. From a sociological and cultural point of view, global culture, the offspring of globalization, is a standardization process of lifestyles, models, tastes, goods, services, customs. It is a process that can bring together very different people which can feel closer simply because they can purchase the same food, the same fashion items, and share cultural forms that are more and more alike, but also it is a process that has many negative influences over people and culture.

We can state from the beginning that today globalization is placed in the centre of modern culture, while cultural practices are placed in the centre of globalization. Therefore, we pass from a world prevailed by cultural isolation to a world prevailed by intercultural factors, from an era characterized by cultural autonomy of traditional isolated groups to an era generalizing interrelations and communications. Our epoch has the great historical privilege to pass from a world of isolated civilizations, based to a certain extent on different spaces and times, to a small world characterized by the same space (world market) and the same time

(synchronicity of all events), birth of a communication and of a world community. At present, we notice a passage from a planet of close civilizations to a world open to all people through travel and media, where there is a very close relation between globalization, history and culture. Language, schooling, transport and communication systems, liturgical practice and identity, all of them were defined to a greater extent from the perspective of nation territorially limited. As a whole, nationalism was to become the most powerful cultural force, partly because it was systematically financially supported, set out by modern states. According to this interpretation, the beginning of cultural globalization is found in the past, while the most powerful and significant cultural flows and relations were developed inside the borders of modern nation - states.

Globalization changes the way of Romanian culture concept, because culture was very long time, related to the idea of a fixed zone. Does global modernity promise to provide us a global culture? To a certain extent we can state that such a culture already exists. At present, the world has become a network of social relations and, among its different regions, there is a circulation of directions similar to the circulation of people and goods. We can state that now it is a globalization of Romanian culture meaning complex connection. In the whole world, this context of integrating in the cultural practices and experiences, can be understood to represent a world culture. Global culture "is equivalent to the apparition of a single culture, including all inhabitants of the world and replacing the diversity of cultural systems up to now" (Tomlinson, 2002, p. 105). Obviously, such a culture has not appeared yet.

Certainly, the idea of a global culture was not possible only during global modernity. At the same time with the development of the world, facilitated by media and contemporary transport means, the circulation of texts (religious, political, literary, scientific ideas) points out a quick acceleration. Political, cultural and religious powers prove to be unable to stay against people circulation and communication development (parabolic TV antennas, video cassettes, internet), therefore ideas and opinions. In conclusion, we can state for sure that Romania enters faster and faster in the epoch of culture and civilization mixture, speeches and passions.

Amplifying the westernization of romanian culture under the impact of cultural globalization

Cultural globalisation supposes, not only empiric human contacts among civilizations (transporter revolution), but also intellectual instruments of understanding among contact groups in a more or less brutal manner. Let us call humanist sciences those intellectual instruments, having a wide enough meaning: history, philology, linguistic, archeology, sociology, philosophy.

Trying to create a global culture, an important role is held by foreign languages. English is undoubtedly placed in the top of hierarchy, being used both in Romania and worldwide in all its types: written, spoken, formal, informal as well as registers specialized for economy, law, technique, journalism etc. It became lingua franca by excellence and keeps on strengthening this domination through a process of self consolidation. It also reached Romania as central language of international communication in the field of business, policy, administration, science and academic world, being as well the dominant language of global publications and popular culture. The main language in the field of computers is English, being the written language for Windows and Internet protocols. At the same time, English is the language used in safety procedures, such as air traffic control. "Over two thirds of total scientists in the world write in English, three quarters of international correspondence is written in English and 80% of information in recovery systems of world electronic data is stocked in English" (Crzstal, 1987, p. 358). Another aspect of English domination is book translation. Thus, object of translations into other languages is held in a higher ratio by books written in English in original. "At a certain extent, this domination does not surprise at all. As the destiny of other languages points out, using a language is closely related with the power

rates. English is mother language of those two modern hegemonic powers, United Kingdom and USA. Moreover, this power is exercised in all the fields of Romanian life: economic, political, military and finally cultural” (Held et al., 2004, p. 391).

As a result of IT development, we are also more and more witnesses of an avalanche of scientific and technical terms, which are used in many languages in English alternative. Such terms as: *businessman, barter, broker, dealer, computer, marketing, management, manager, dumping, know-how, trend* – are used today in Romania without translating them. This invasion of English and American terms can be called *vocabulary globalization*.

The issue of one language domination and threat to linguistic diversity is related to another more general issue, that of *cultural imperialism*: the idea that one culture can be a hegemonic culture. This pessimistic construction of global culture idea prevailed at the end of the XXth century. Indeed, theory of cultural imperialism can be considered one of the earliest theories of cultural globalization. As Jonathan Friedman wrote, the speech of cultural imperialism at the end of the sixties tended to prepare the ground for critical reception of globalization in the cultural field, presenting the process as an “aspect of hierarchical imperialism, namely higher and higher hegemony of certain central cultures, diffusion of values, consumer goods and American life style” (Friedman, 1994, p. 195).

This concept of global culture is perceived today in Romania as the spreading of values, goods and American life style. In fact, the most visible sign of globalization seems to be the spreading of American coke and hamburgers in almost any country in the world. In “Lexus and the Olive Tree”, Thomas Friedman wrote: “Today, globalization has Mickey Mouse ears, eats Big Macs, drinks Coke or Pepsi and works on IBM laptop... In most of the companies, people cannot distinguish among American power, American exports, American cultural assaults, American cultural exports and globalization” (Friedman, 2001, p. 400). The most clear proof supporting this statement is convergence and obvious standardization in cultural goods worldwide. If we take any catalogue, from clothes to music, movie to TV, architecture, we cannot ignore that in Romania too certain styles, marks, tastes and practices nowadays have global circulation and can be met almost everywhere in the world. Certain marks and symbols of global mass culture have become already cliché: Coca-Cola, McDonalds, Calvin Klein, Microsoft, Levis, IBM, Nike, CNN, MTV – some of them becoming even synonymous of western cultural hegemony: Mc World, Coca-colonization, Mc Donaldsization and even Mc Disneyization.

What else does this uniform distribution of cultural goods mean in Romania as well, if not power of certain capitalist companies to control wide markets anywhere in the world? Global presence of these goods is a symbol of convergence towards capitalist monoculture, but it does not mean that we reduce culture to its material goods. Mc World is an experience of purchases as amusement, putting together commercial centers, multiplex cinemas, thematic parks, stadiums, chains of hypermarkets and TV (with flourishing channels of teleshopping) which changes human beings to increase profit.

Thinking about global culture means to point out the need for historical recovery of these Romanian non-western cultural traditions. We can accuse seriously the westernization as trend to planet uniformity and international standardization of living styles. When we speak about westernization, we certainly refer to spreading European languages, especially English and consumer culture as well as clothing styles, cooking customs, musical and architectural types, to a print of cultural expression dominated by media, a group of philosophical ideas and a range of cultural values and attitudes more and more present in Romania.

Romanian culture westernization represents global spreading of social and cultural totality, materialized in certain elements of western – its technology, industrial economic background, urbanization trend, ethic, philosophic and religious systems. None of them separately contains the western essence regarded as a synthetic unit of these different

manifestations, as a cultural entity, a civilization phenomenon. Westernization for Romania represents a cultural phenomenon. Western civilization is therefore, paradoxically against culture, because it stands out, through its universal trend, the survival of a varied group of specific local cultures. This "westernization" of Romania culture is determined by three factors: first, expansion of transnational companies having their own culture; second refers to urbanization processes related to rural community destruction, third is the process of building up rootless states. Critics against Western could be interpreted as critics against modernity. Thus, we can ask ourselves if social and cultural modernity is identical, necessarily, as western modernity, if becoming modern supposes becoming western compulsorily. We believe that Romania cannot access to modernity but following its own way, marked by our religion, history and civilization.

The beginnings of a global culture in Romania can be noticed by the presence of a certain number of distinct elements from analytical viewpoint: consumer goods efficiently popularized, a collage of folk or ethnic styles taken from the context, a few general ideological speeches about human values and rights and a quantitative standardized and scientific language of communication and appreciation, all of them relying on the new information and telecommunication systems as well as their computerized technologies.

"Survivor of old printing technologies, books become more and more relics of a word culture which slowly disappear – indispensable currency of democracy and a more and more fragile stick in front of the new world of images and sounds on the screen with a speed which makes useless any attempt to think out". In Romania, TV and computers are more and more rapid nowadays. If TV is considered to be educative, which is the place of books? Nowhere if we agree to become some type in the service of information amusement TV sector of Romanian culture, this type we can call *TV literature*.

Assimilating the new by Romanian publishers involves change, the book format being vulnerable in front of computer technology. Technology threatens to smash the world of college handbooks. If manuals' publishers do not wake up and do not learn how to produce, trade and distribute anything else but books, it will pull the carpet from their feet. Romanian publishing technology is quickly changed and one author book can be now available in numerous formats – database, CD-ROM disk and interactive CD. New technologies facilitate the combination of journalistic, literary, plastic art, photo, music, film and video papers in multimedia and interactive formats. It is a little more complicated than opening a book, but when you have the equipment, you can open the wide literature directly on CD. When books become subordinated to multimedia projects and words are associated to attracting images, printed culture is jeopardized. "The status of books in our days Mc World teaches us gloomy lessons about corrupting power of image creators in the print world and by means of this world in the democracy world" (Barber, 2002, pp. 116-117)

In today Romania, TV and cinema do not replace completely books for sure. Moreover they keep with them a parasitic relation. "Instead of raising the cultural level by means of books, TV does not enlighten books. Reading becomes a new type of gossip". Due to the lack of readers, everything means printing books which are bought however by people, no matter if they read them or not: because in the McWorld, consumption asks only to buy, not to use products as well, among which many are not necessary for us. Undoubtedly, thriller and mystery novels corresponding to cinema scripts held for a long time the top of bestsellers. Essential role of writers in the McWorld is to feed the hungry appetite of stories and scripts for TV and cinema, intrigues and characters, perverse personalities and scandalous real events, which is more and more obvious in our country too.

American books raid upon the world publishing industry at the same time with the story of movies and TV. Today, bestsellers in Russia, Switzerland, Brazil, United Kingdom, Netherlands that imitate successful movies are strictly American. Pirate translations of science fiction papers, thrillers and erotic prosaic papers flow Romanian bookshop shelves clearing out local products. Reading is in a decline and tastes of Romanian readers go down rapidly, in

almost perfect harmony with the market rise. Nowadays, literature aims at competing for money, meeting popular tastes and guaranteeing the publishers' profit.

Is profit the incentive of an expansionist society?

Globalisation has for sure lots of positive aspects. The world has reached a point where it cannot be forced to come within closed limits. People have access to information, due to new developments in technology, and especially economic transactions give individuals new means of perceiving it; people have been taught and finally used to understand globalisation as such. If the political aspect manages to transfer some responsibilities to the economic area, the expansion can be considered as accomplished. The American pragmatism, stressed by the bankers' obsession to double their fortunes, has pushed mankind into a situation where the velocity of capital cannot put up with any cultural revolution. The only policy valid in the 21st century is the adequate government, which increases the GDP of the country in question. In the 21st century, in the era of globalisation, most people have created their own financial forms of investments, their own ingenious portfolios, using strategic asset allocation techniques; rich or medium-rich individuals are buying and selling different kinds of stocks, bonds, using financial goals so as to replace the old communist bearish living standards. Building societies have turned their patrimony in bonds issued for ordinary individuals, the capital is running, everything is negotiable, multinational companies turned into real economic centres, almost political centres, monopolizing an important workforce; they invest in plants, in new shopping malls outside the countries where the parent company is located. Actually, in the new world, there are no borders, human beings, money, information is running; everyday individuals group again according to the job they temporarily have, the new faith is given by the new provisional job. If European countries accept willingly or not this new political world order, we cannot say the same about the Asian countries, which are not very happy to admit this challenge. Economic reasons which in the end turn into political ones: see the war in Iraq. On the other hand LDCs and developing countries have feared that the FDIs⁽¹⁾ would bring their dependence as peripheries on the center, resulting in a kind of colonialism. Nowadays many LDCs consider the multinationals as bringing about important advantages, such as creating jobs, generating incomes from the taxes they pay, taxes out of which the poor are supported. Sometimes multinationals can influence the domestic policy of the country they are doing business in by introducing step by step a new policy, a typical global one – democracy – even if sometimes the abuses made by multinationals are long disputed on. Many people may think multinationals are destroying the national identity; some citizens from wealthy countries who are afraid of the capital leaking from their own country militate against FDI.

On the other hand, free trade does not represent a threat to LDCs any longer, as it was looked upon in the '50 or even '70, the ones being afraid are right now the WDCs⁽²⁾, religious organizations, trade unions. It is said that the commercial relations with poor countries decrease the salaries of labourers in WDCs. Religious groups assimilate the financial crises to free trade. The new worldwide organizational structure would develop only if the circulation of capital would be managed properly, even in the less known countries of the world. Actually, the new global law started to be popularized in 1979 by the British Prime Minister Margaret Thatcher, her ideas being taken over by Ronald Reagan in the '80, who started to encourage the liberalization of the market and free trade. In 1994 the political governmental policies to privatize went on in new areas. At the end of the Cold War, the Thatcherism defeated the former Soviet Union and then a false privatization started. The Soviet Union turned into an uncontrolled market, not the best representative of the liberal capitalism or of democracy. On the other hand, the communist world discovered that there cannot be a

competitive economy without political freedom, and the West knows how hard it is to control an absolutely free market in an absolutely free political system. To preserve the cultural identity a global action is necessary. The global cultural industries need global regulations. That is why one of the most important functions of a united Europe would be to impede the international monopoly over the main sources of the entire future culture: information, communication, education.

Because of the free movement of capital, businesses have really exploded recently. Several years ago, only the very important financial centres had their own markets for bonds, shares etc. Today even Turkey has its own stock exchange market, but the risk of buying on the Turkey market is higher than on the Wall Street market. In case of a crash, there is hardly any liquidity on the Turkish market to sell out the bonds etc. In conclusion, the old system encouraging the development of close units is still persisting. Even if people talk about a global market, only the big companies really take advantages of the capital's mobility on the international market. The developing economies can be easily cheated by so many ups and downs of both transactions and currencies. In order to face the risks, a financial system and an economic adequate management would stand against negative speculations. But greedy people have encouraged the huge dimension of these markets, greed is also perpetuating the pattern of these markets in well-developed economies; in developing countries it is curiosity, which gives confidence to the internationalisation of markets. You cannot read on the net about Americans travelling five times a year without wishing the same standards. The state shouldn't be any longer bombastic, with high walls to protect citizens against capitalism as during the Cold War, but a state deeply involved in the new demands, allowing the market to take up the foreign capital and place it in local investments. On the other hand, America is now trying to offer the world a new model of prosperity, combining a complete operational system with free markets, adequate political institutions, political equilibrium, without huge disagreements among political parties. The problem of different countries is determined by not wholly understanding the system; they love preserving old systems, which have proven to be counterproductive.

"Democracy is the only valid political system within globalisation; it is determined by the combination between supermarkets and the flood of technology, completed by an ongoing informational society, a mixture which may trigger woeful errors" (Martin, Schumann, 1999, p. 69). However, things seem to be more complicated. In the most powerful democratic states, individuals lose control over their own lives; even the governors lose their power in front of multinational companies. Citizens do behave as shareholders, leaders as managers. In other parts of the world, some countries are trying to find their way out from difficult social and political situations. We nowadays face a strange situation: a country being locked in the worldwide economy, as if the country is a company quoted at the stock exchange, with shareholders all over the world, but this international "quoted" system has taken countries out of poverty. Countries are forced to adopt a behaviour, which is just similar to the one displayed by companies, because in globalisation countries may choose prosperity, according to the type of policy they decide for; the citizens in the end will ask for a better manager, not for a better president. Countries are no longer imprisoned in their own resources, geographic positions. Due to globalisation, any country can use on-line trade, can import knowledge, can develop its own infrastructure. Countries would be graded according to their connection to the universal decisional system.

Far from a market economy, which is to gather actors of similar economic power, far from a globalisation, which would look more like a global village, mankind is facing a mixture of national, multinational, universal political and social assembly, highly unequal and hierarchical, dominated by the capitalist oligopoly. Globalisation did what previous systems managed to do, which is to concentrate wealth in WDCs. Thus, after the crash of the Soviet Union, two huge country-continents of Asia start developing: China and India. They have learnt how to combine market and administration, centralisation and decentralisation, scientific research with manual workforce, the state and society. Under the strict guidance of the state, they have developed single productive units during this process of globalisation. They both have a huge potential domestic market, which seems to be of high interest for the

foreign suppliers. According to statistics, China is going to be the first world leader in this century, followed by Russia, if it succeeds in recovering after all; also Brazil, a former LDC country, could develop by globalizing its financial system. Both market and profit have determined huge transformations in telecommunications and multimedia. To face them, the volume of spending has to increase, the purchasing power and the consumption are going to be made according to the big capitalistic actors deciding in each field. The new world is indeed proud of itself, it comes with an open economy, the generalization of the capitalist product (the typical product of multinational companies) in the detriment of the national economies, the monetization of the social life, very enchanted by the power of money. But in LDCs companies are merely surviving and depend on WDCs.

“The expansion of the role played by markets and by monetary relations are accompanied by profound transformations of the whole society” (Huntington, 1998, 101): the increased role of technology, research, science, the too stressed labour division, demultiplication of the necessities, the transformation of values, of social structures, of motivations. At the same time, the productive activities, which have been charged the society with, tend to become prevailing as regarding the rest of the social activities: the economic issues become autonomous when compared to human societies. All levels are submitted to the economic one especially after the dislocation of the traditional societies by the generalization of the self-regulated economy and its expansion over land, labour, money, including the traditional role of producing goods. Society becomes an auxiliary to the market. The economy is not framed by the social relations; social relations are framed in the economic system. In globalisation the economy dominates the differences between societies. Economic growth has become the final target for most contemporary societies. All problems are considered to be solved by economic growth. Bill Clinton once suggested that the unemployment, poverty, education and health should be defeated by doubling the GDP within one generation. Also the Soviet Union and ex- countries of the Soviet Union have tried to overcome the capitalist West through economic growth. The transition from communism to capitalism was so badly managed, so as lots of countries have been through terrible critical periods, while the society is layering out in order to form the new classes (see the Romania’s case).

Capitalism, which has generated globalisation is dynamic. It is about a self-motivated process, which emerges in various aspects and once consolidated brings about a disruption in the history of human societies. During the last centuries the three important transforming sources have been the state, scientific and technical research and the dynamics gathered under the name of capitalism. In the last decades, states have become weak because, on the one hand, they lost the projects and further perspectives on future, and on the other hand, due to the liberal globalisation, scientific research being mobilized and oriented towards the big companies which are controlling the essential part of the technological abilities, capitalism becomes the major transforming source of both individual groups and societies. Complex, mainly focused on the future, “this global capitalism generates unstoppable transformations: power, wealth and subsistence, sources which are both separating and bringing together”(Lafontaine, Muller, 1998, p. 73). People are trying to become richer and richer, to dominate the other; but, for most people living in capitalism, this new global order brings about the dependence on their poorly paid jobs, while by buying at least subsistence goods they contribute to the expansion of the capitalist producing goods machine. Therefore, generally speaking, globalisation produced by the late capitalism cannot be reduced to any producing method, any economic system, it is not an actor looking for planning and multiple options. The nowadays globalisation has a social complex logic, destroying other forms of production, old social structures, but creating new activities, new markets, new necessities. It generates a productive, commercial and monetary entity, both adjusted to a certain market or valid to the international one, but it is characterized by having its own autonomy as related to the societies it is introduced in: this process is called globalisation. Globalisation destroys and builds itself up at the same time. This ability is established by the big companies, which are systematically using science and research to create new consumer products, new producing methods, new markets, new industrial organizational patterns, new solvable demands, based on new necessities, new opportunities to make money due to the amounts

invested in research. For the first time, major decisions, vital for the well being of individuals are taken by some companies, as they have huge amounts invested in scientific, technical and industrial means. The respective decisions are made according to the purchasing power of one market or another and according to the anticipation of their demands, the perspectives related to the forthcoming profit. Abusing of their power, companies are prejudicing the whole society. The totalitarianism of a market dominated by few huge global companies, the global immersion of a kind of apartheid of money, tend to be the broad dimensions of a world which step by step is replacing the old order.

Conclusions

Most of Romanians who passed over cultural borders, in an apparent global, vital and irreversible manner, did it not completely and univocally. They rather became mediators, go-between. Passing over a cultural border does not mean to leave your own culture without possibility to return. It means to accept it as contingent, to accept to become a partial and/ or provisional foreigner.

Notes:

⁽¹⁾ FDI=foreign direct investment

⁽²⁾ WDC=well developed country

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DEVELOPING EFFECTIVE PRESENTATION SKILLS

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Abstract. *Developing effective presentation and critical thinking skills is of the utmost importance in today's knowledge society, based on the quick acquisition and interpretation of information, as well as on effective communication in order to be able to make the best decisions. With so many choices to make and so little time to get meanings across, it is important for people not to waste time and opportunities by not being able to make themselves understood or by not being able to understand the others. As a response to these needs, many teachers have become aware of how important it is to help their students develop these skills. Unfortunately, based on the largely unfounded assumption that tertiary students must have already acquired the main concepts needed to produce logically-structured discourse, there are still university teachers of English who focus exclusively on language issues, ignoring aspects related to the interpretation and organisation of available information.*

This paper will discuss the reasons why the above-mentioned approach is not fully effective by focusing on the analysis of several speeches delivered by first year students in finance. The purpose is to prove that using a traditional approach to teaching presentations, based solely on discussing and practising linguistic devices and vocabulary items is not sufficient for ensuring good performance. Therefore, teachers must provide guidance that covers not only linguistic areas, but also areas related to the use of critical thinking skills and discourse organisation

JEL Classification: I20, I29.

Key-words: presentation skills; critical thinking skills.

Background information

In order to sustain the idea that students need support not only in developing fluency and accuracy in presenting in English, but also in acquiring and applying critical thinking skills when delivering presentations, the article focuses on the analysis of presentations delivered by first-year students at the Faculty of Finance, Insurance, Banks and Stock Exchange, at the Bucharest University of Economics.

Before the presentations, students participated in two seminars in which the structure of presentations was discussed. The conversations and exercises carried out during these seminars focused on the way in which information should be structured, on vocabulary elements such as signposting devices, as well as on delivery elements such as body language, attitude towards the audience or time management. During these discussions, the teacher discovered that the students had little practice, both in delivering presentations and in attending such events, and that students avoid both instances as often as possible. Concerning the latter situation, the students expressed their reluctance to perform such an activity, as they consider they lack the necessary patience and active listening skills, which makes them lose interest rather fast. When asked about the reasons why they avoid delivering presentations, students stated that the two main reasons are the fact that they feel uncomfortable presenting their ideas in front of an audience and that they are afraid they might actually forget words or sentences, which would make them interrupt the entire presentation. The discussion continued from this point revealed that during the preparation stage students prefer to actually memorize their entire presentation than to rely just on the main ideas included in it. This is the reason why, when given the choice in their academic life, they prefer written forms of examination to oral ones, although they admit that the first often requires more of their time. In terms of

elements they perceive as relevant for a successful presentation, the students mentioned aspects such as an interesting topic, a confident attitude and a strong voice, good body language, good management of visual devices and a good preparation, both in terms of research and in terms of pre-delivery of the presentation itself. Although some of them also made reference to the structure of the presentation, further discussions on this topic showed that they were focusing on the ideas included, not on how they would relate to each other or to the main issue.

In order to fulfil the task of preparing and delivering their presentations, the students were told that they should work in pairs or individually, and they were given a list of topics to choose from. The topics covered the issues discussed during the semester and ranged from suggestions that required mere research to those which were more complex, as research had to be accompanied by personal interpretation of facts. In order to appeal to as many students as possible, the proposed subjects were expressed in different ways, as statements, as questions or as suggestions to comment on quotes. In order to ensure variety during the seminar when the presentations were delivered, there was a rule, which stated that there had to be maximum two teams speaking about the same topic. Most of the students involved in the study expressed their preference for the first two types, avoiding the effort of structuring their presentation around an idea expressed by someone else, and choosing this option only if there were no other choices available. Thus, only 14% of the presentations focused on interpreting quotes, 17% focused on presenting facts discovered as a result of mere research, while 69% of them were related to answering questions and discussing statements.

Analysis of presentations: general comments

There are several aspects that have to be mentioned in relation to the way in which the presentations were prepared and delivered. Maybe the most obvious one for the teacher was that most students did not make the effort to actually understand the topic and what it involves before coming in front of their colleagues to present their ideas. Many presentations lacked spontaneity, and, even worse, it soon became clear that there were cases when the content of the presentation was learnt by heart, without the student internalizing any of the ideas. As a result, forgetting a specific part led to anxiety or even to the incapacity to continue expressing ideas on the subject, even when the teacher prompted the students to say whatever they think about the topic in discussion. This phenomenon becomes even more disturbing when peer pressure interferes, as it seems that if one of the presenters interrupts the speech at an early stage during the seminar, chances are more students from the group will have the same tendency. To be more specific, in one of the three groups of students that were part of this study, 4 out of the 16 presentations were unsuccessful because one of the presenters refused to continue speaking. Out of the total of 39 presentations, in 7 of them (i.e. about 17%) the teacher's intervention was required for encouraging one of the speakers to carry on by expressing any ideas he or she might have in relation to the topic.

Another issue (or difficulty) refers to students' abilities to work as a team, coordinating their ideas and sharing their knowledge. According to the teacher's observations, as well as to the students' comments after the completion of all presentations, in many cases the entire content was prepared by one of the students, while the second received it and took it as a final form, without bringing his or her contribution to it. Students defend such a practice by saying that they are used to sharing responsibilities in such a way, and that they expect their passive partner to do the same for them when a project for another subject is required. Furthermore, they state that it is difficult for them to get together and work, both due to the lack of an appropriate study space and the lack of free time outside the university.

Regarding the vocabulary used, some students have the tendency to use lexical units they are not familiar with, which sometimes makes it difficult for them to pronounce or in extreme cases even to remember these words, a phenomenon which is also accompanied by the incapacity to provide an on-the-spot synonym. Also, they seem to have understood that the

audience is looking for signals to show them exactly where the presentations is going, so the speakers make full use of these signposting devices, but without really understanding their functions in the structure of the text. The most frequent instance in the analyzed presentations is the use of the summarizing devices, which usually appeared somewhere in the second half of the presentation, but which were followed by the introduction of new ideas, that belonged more to the content itself, not to the final part. Another example concerns the linguistic units meant to signal the introduction of ideas defending a previously stated position: many students do nothing else than present a totally new idea, which has no causal connection with the point of view it seems to be related to according to the signposting used. There also seems to be a lack of coordination with respect to the sequencing devices. Thus, many students who start presenting the several aspects of interest by using expressions such as “firstly” or “first of all” forget to also signal the next new items that appear later in their speech. Last but not least, the same lack of coordination appeared at the level of contrasting or adding devices such as “on the one hand ... on the other hand”, as there were many cases when only one of the two halves of this structure was actually presented.

Regarding the logical structure of the speech, there are two aspects worth mentioning. The first one refers to the fact that many students did not make the effort to understand what the requirement of their task was, and they built the argumentation of their presentation around whatever related information they could find or already knew, thus treating the title or the main topic of their speech as secondary. This led to presentations which, although sometimes interesting in terms of ideas expressed, were characterized by a gap between the topic initially announced by the speaker and the comments presented later on. Below there are some examples of diagrams summarizing the way in which the ideas were structured, which clearly show there are few connections between the title and the content of the speech. Examples of good structures are also given, to highlight the fallacies in the incorrect examples.

The second problem, also highlighted in the diagrams below, is related to the fact that students do not take the time to get a thorough insight into the topic. As a result, their presentations are often a mere enumeration (or listing) of elements they perceive as relevant or connected to the main issue, and it is up to the audience to establish the relationships, among all the elements presented, as well as between the ideas expressed and the title.

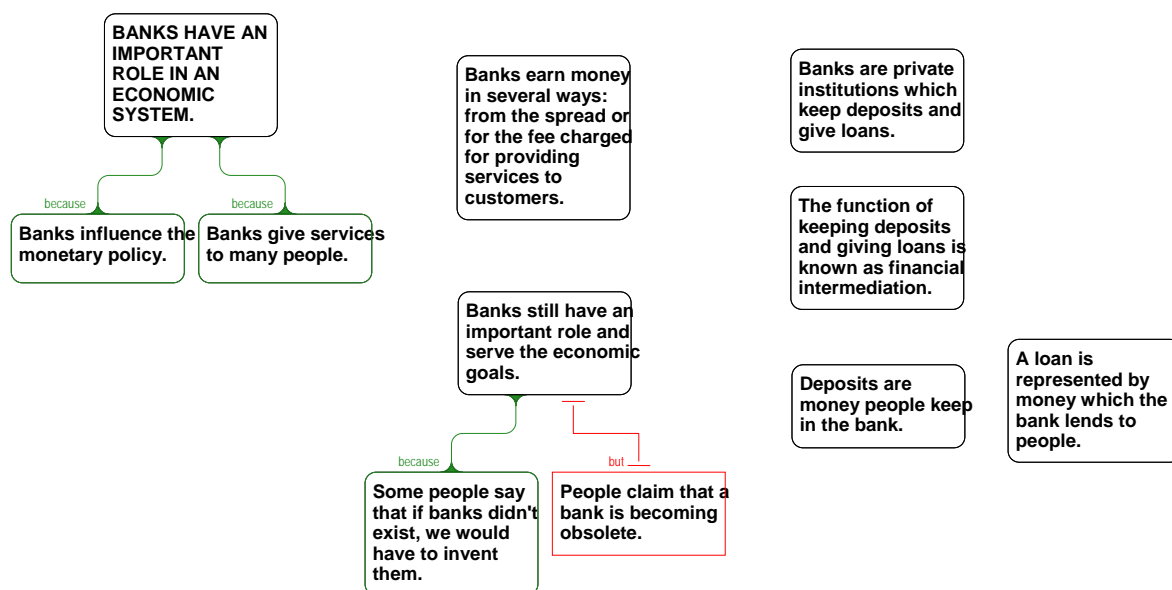


Figure 1

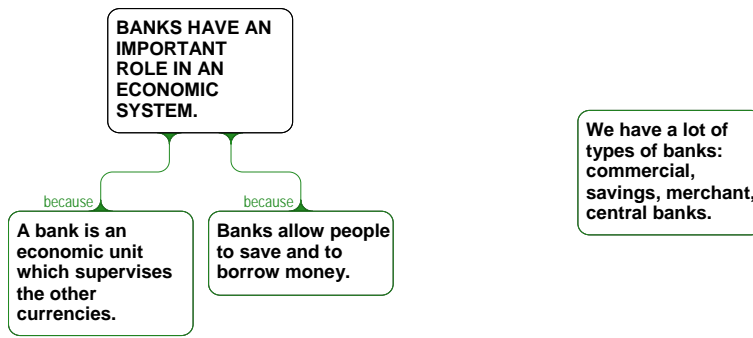


Figure 2

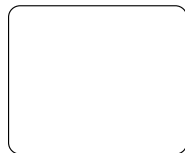
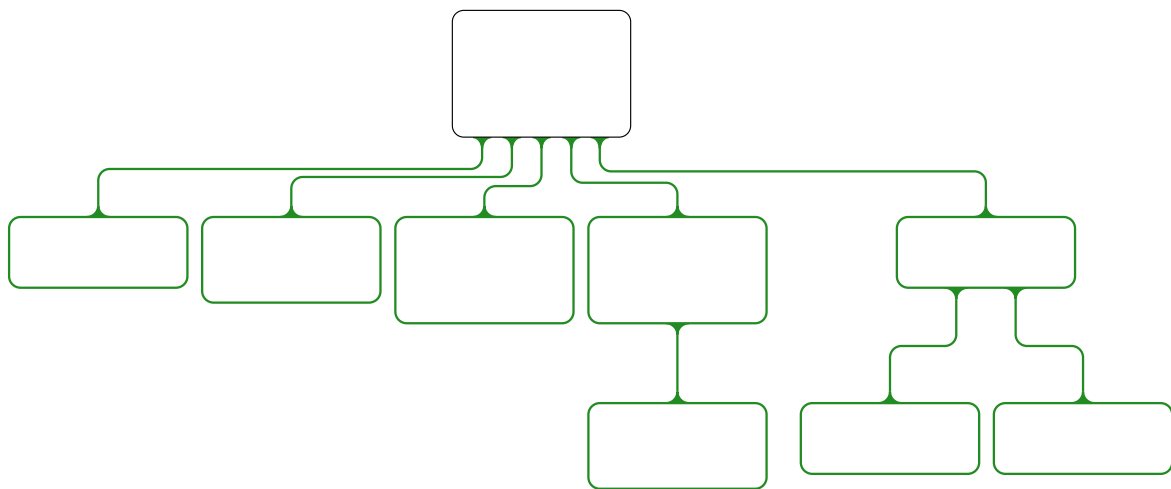


Figure 3

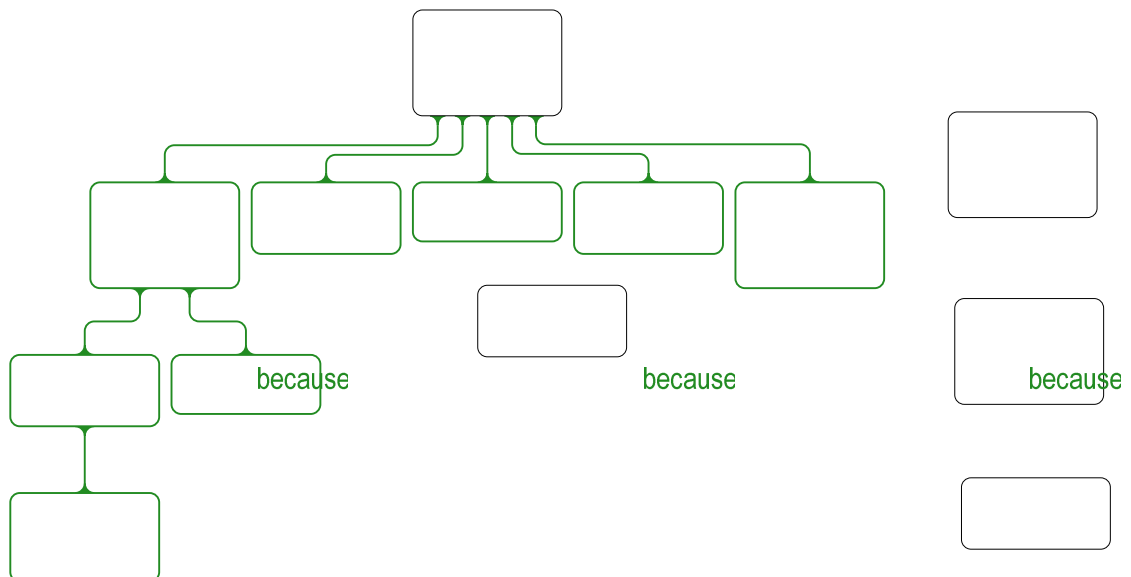


Figure 4

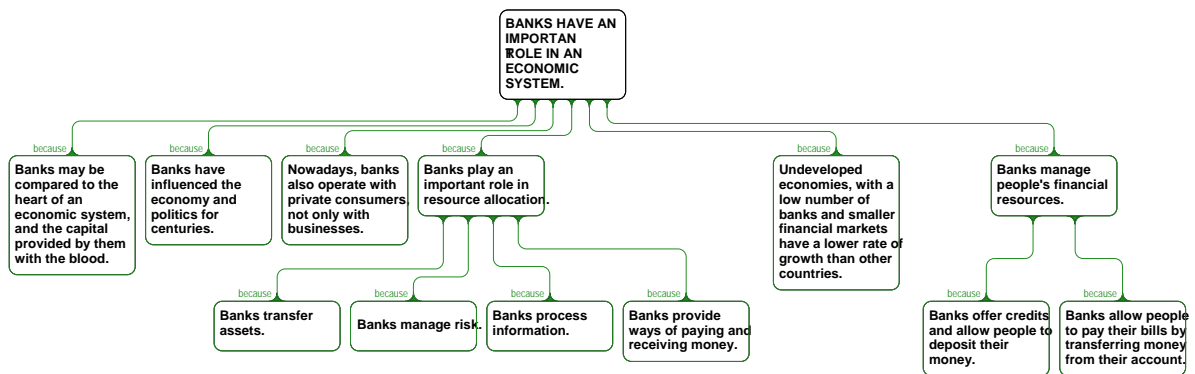
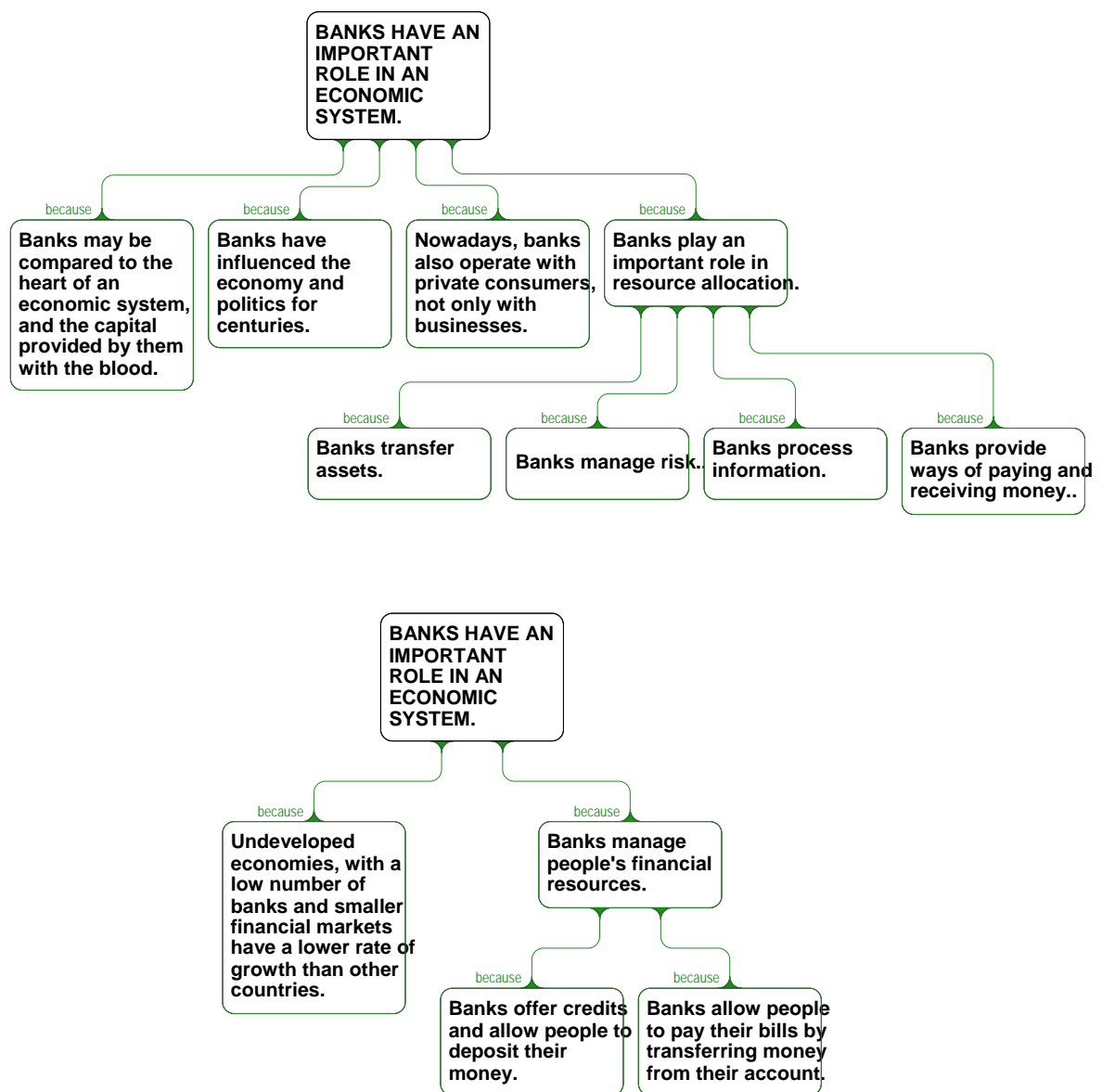


Figure 5

The diagram above has been fragmented to make the in-box text more visible (see below):



The five diagrams illustrate the way in which students structured their presentations on the following topic: *“Do you think that banks have an important role in an economic system? If your answer is yes, please take into consideration the following: the importance of banking for the economy as a whole, for the public and private institutions, for the individual customers.”*

In the first two presentations, the speakers provided only two reasons to support the main claim, and there were no ideas to prove why they considered the two reasons to be valid. Several other aspects were mentioned, which tend to obscure this absence of proper logical connections (this may be due to lack of preparation or of a clear understanding of the issue). Although these aspects are somehow related to the banking system, there seems to be little or no connection between them and the specific task, which was that of discussing the importance of the banking system in the economy. In the first presentation, references are made to various types of banks, without mentioning the economic significance of any of these types, as well as to the way in which banks obtain their profit, an idea which is irrelevant in the overall structure of the discourse. The two reasons brought to sustain the main claim have no support whatsoever. Although the fact that banks offer services could be related to the idea that they keep deposits and give loans, there were no signals in the text to establish this correlation. Also, we could state that explaining what deposits and loans are is not only irrelevant, but also redundant, as the audience was represented by students in finance, who were definitely already familiar with the terms. Using popular belief to try and support the idea that banks are important also resulted to be unsuccessful, as the speaker presented two opposing positions (people who claim that banks are obsolete and those who say that if banks did not exist they should be created), but without trying to show how these opinions prove or deny the functions played by a bank in the economy and without showing preference for any of the two positions. The second presentation is also insufficiently documented, as the two reasons put forward to sustain the importance of the banking system have no clear basis, and, once again, references are made to types of banks, but without an explanation of how the existence of a wide range of such financial institutions is related to the importance of the banking system at the level of the economy.

Presentations 3 and 4 have a more complex structure, as the speakers seem to have focused on understanding more thoroughly what elements are related to the main issue. There are several ideas which support their belief that banks play an important role, and these ideas cover several aspects, both in terms of economic and personal benefits. Although even in these two cases there are mentions of how banks earn their money or of how the banking system is structured, without explaining the relevance of this structure, the overall organization of the text shows an effort to link the various elements included in the presentation. Still, these connections are not always successfully established when it comes to making the difference between the economic and the personal perspective. Thus, towards the end of Presentation 3 there is a sudden and unexplained shift from objective comments related to economic aspects to the use of the first person to explain how banks help customers control their income. In Presentation 4, while discussing the economic importance of the banking system, the speaker only focused on the specific case of central banks, then suddenly talked about banks in general when he referred to services offered to individual customers, without making any comment on the distinction.

Presentation 5 seems to be the most appropriate, both in terms of lexical and logical coherence and in terms of structuring and connecting different pieces of information. The aspects discussed cover a wide range of perspectives, starting with a general view on how banks help the economic system in its functioning, going on with a brief historical aspect, and then fragmenting the speech to present the various services provided by the banking system, with comments and details for most of them. Mentions made to the unsatisfying situation of countries that do not have a well-developed financial system were meant to reinforce the idea that services provided by banks do have an important function.

Analysis of presentations from the perspective of critical thinking skills

If they appear only in some occasional instances, the inconsistencies mentioned in the previous section could signal nothing more than a lack of lexical coherence in the English language or of sufficient preparation of the content of the presentation. However, when they occur with such

frequency as noticed when analysing the first-year students' presentations, they may be, at best, symptoms of insufficient practice in preparing and delivering presentations, or, at worst, an indication of the students' inability to logically assess and organise ideas.

In this section of the article, we will try to show that, in many of the students' presentations, there are indeed some issues concerning the in-depth understanding and analysis of the main topic, as well as of properly presenting the logical connections among different ideas. Several presentations have been analysed from the perspective of critical thinking skills, as described by Facione (2007) and by making use of guidelines provided by Cottrell (2005). The purpose of this is to provide a better understanding of the main sources of error in presentations, as well as to suggest possible solutions to reduce the frequency of these errors occurring in the future.

All five presentations commented below were theoretically meant to focus on the authors' opinions on whether we live in a credit card culture or not. The speakers' task was to state their position towards such a claim and defend it by bringing supporting reasons. However, as illustrated below, this has proven to be a difficult goal, as the speakers had problems not only with finding elements that would support their claim, but also with establishing relevant connections, either between the elements they did find and their position, or among the different elements, or both. The topic students were supposed to approach was the following one: *"Do you agree with the fact that we live in a credit card culture? Provide reasons to support your opinion."*

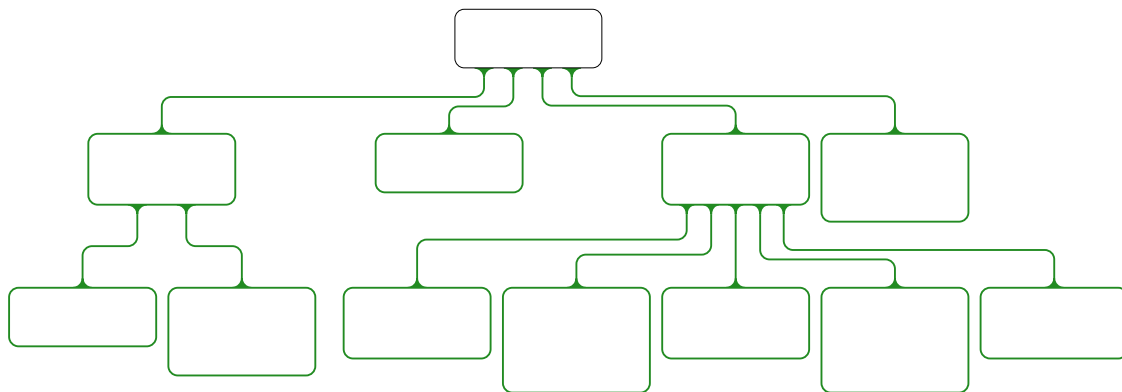


Figure 6

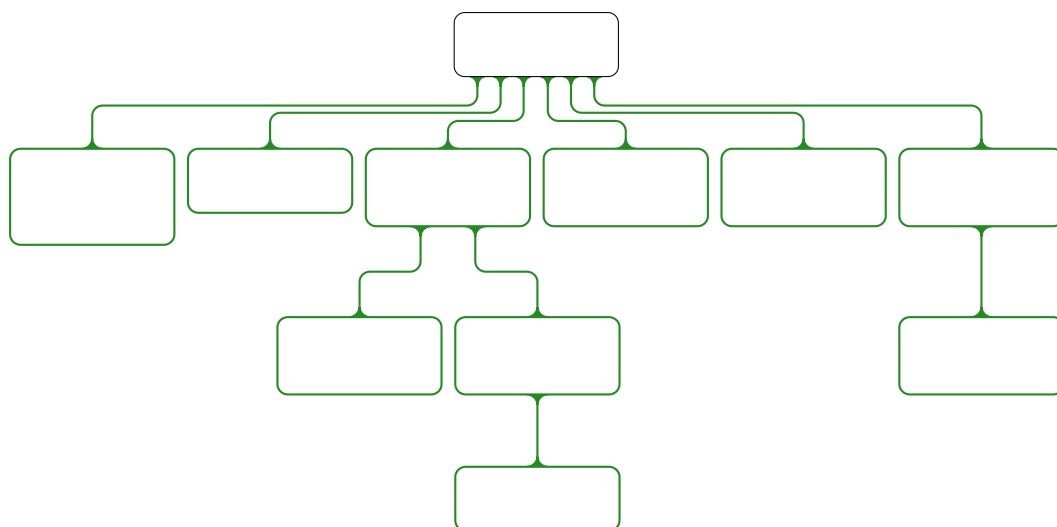


Figure 7

The first problems appear at the level of interpretation, a skill which the participants should use in order to identify the issue in discussion and try to describe it with as little bias as possible. Students should begin by clarifying the meaning or meanings of the claim and of all because

its constituents in order to avoid a biased or one-sided decoding of the significance of the topic they want to discuss. Once this fragmentation is done, students should decide whether they will approach all the implications or they will choose one particular aspect, and they should be able to explain their choice. After the claim is correctly decoded and a coherent and relevant approach is established, the students have to make sure that they describe the problem and support their opinions without bias, trying to avoid reasons or objections which are based on personal feelings rather than on facts.

However, in the presentations analysed in this section there was little proof of this skill actually being put into practice. The reason why three out of the five presentations on this topic are not structured as an argument map is due to the fact that starting from the beginning of the presentation it was clear that the speakers did not understand the main claim and what it involves. Thus, ignoring the main claim, they stated from the very beginning that they will talk about “the advantages and the disadvantages of credit cards”, or “credit card payment”. It was clear in these cases that what the students did was a partial decoding of the aspects involved by the main claim. Although presenting the advantages and disadvantages of credit cards is somehow related to living in a credit card culture, there does not seem to be a direct causality relation between analysing the various characteristics of a card and explaining why the author believes (or not) that we do live in a credit card culture. In the two presentations whose argument map is shown above there is such a causality relation, even if the reasons brought to support the claim do not cover a very wide range of aspects. Thus, in Presentation 6, the speaker perceives the idea that more and more people prefer using credit cards over cash as an indication of the existence of a credit card culture. In Presentation 7, the same position is supported by making reference to the fact that cards have become a common method of payment, and by mentioning the fact that nowadays a large number of employees and students receive their salary or scholarship as a bank transfer rather than in cash, which leads to the use of a card to make use of that money.

After they identify the problem and choose a clear position towards a given situation, students should be able to apply their explanation skills. This means that it is not enough if they simply state their position, they also have to provide a sound reasoning that supports it. One of the shortcomings of the analysed presentations is represented by the fact that the reasons brought by the students to support their position are mostly based on common knowledge or personal opinions. None of the students took the effort to bring objective facts into discussion, such as for example the percentage of employees who receive their salary on cards or figures showing exactly how much purchasing by card has developed nowadays compared to other methods of payment. Instead, they have built most of their argumentation by focusing on the advantages of credit cards over cash, which in itself does not constitute sufficient proof for sustaining the existence of a credit card culture.

Such inconsistencies could easily be avoided if students were familiar with and able to apply analysis, a critical thinking skill which would be useful both for the participants and the audience in identifying and examining the relationships among statements and in detecting fallacies. Also, in order to be able to assess the logical strength of the statements and of the relationships among them, as well as to compare different interpretations and positions, students should be able to make use of evaluation, a skill which would allow them to perceive the strength of the relationships established within the argument. Once these two skills are acquired and put into practice, students should be able to see if there are any weak inferential relationships between the statements and make a rational decision on whether to reinforce this connection or to change their initial position.

For example, if they had critically analysed and evaluated the relationships between the elements included in their argumentation, the students would have probably realised that at several levels there is a weak causal relation between elements they see as directly related. Thus, in Presentation 6, the existence of several types of cards and the fact that maybe in the future people will only use credit cards instead of cash for making their purchases can hardly

constitute strong reasons leading to the conclusion that we live in a credit card culture. In the same presentation, the weak argumentation goes on when basis for the reasons of the main claim has to be provided: the preference of people for using cards is motivated by their need to consume and by their desire to get the best value for their money, which definitely does not account for such a preference, as there is no proof whatsoever that cash cannot still fulfil these needs. In Presentation 7 there are also weak connections between the main claim and some of the underlying aspects related to it, as the speaker also has the tendency to support the existence of a credit card culture by emphasising the advantages of credit cards, which in his opinion are safer and easier to use than cash.

Since students are obviously not very familiar with using these two skills in a purposeful way, it could be difficult for them to apply them instantly from the beginning. Unless reasons or objections shock them by their inadequacy, the members of the audience do not usually pay much attention to the various aspects of the content of a presentation and just try to get the main points of the discussion. In their turn, the presenters get so involved in the effort of delivering their speech that they sometimes lose track of what was actually said before. This is the reason why analysis and evaluation should probably be applied at the end of the presentations. Once the speeches are over and the argument map is drawn, students should be encouraged to analyze the discussions, evaluate them and see what aspects could be improved.

Once analysis and evaluation are done, students should be encouraged to put their self-regulation skills in practice. This means they should be asked to double check their own work, revise it and decide whether they can validate it as it is or bring corrections to it. Most of the time this is a difficult part for many people, as it is not easy to become aware of their own mistakes and acknowledge them. Another obstacle is the lack of available time, as many students have the tendency to prepare their presentations only a short time before the actual delivery, which does not allow them the possibility to take some time off after the effort of producing the presentation and then revise it with a clear and detached mind. The most effective way of reinforcing this skill is by discussing the content of the presentation with the students after they deliver it. Once errors are identified, their main task is to stop producing them in the future. Fortunately, students seem to be used with this technique, as many of them tend not to repeat mistakes they have become aware of. Maybe the best way to develop self-regulation skills is by having open class discussions in which all students speak out their opinions about the way in which the presentations were organised. By listening to their colleagues, who act as critical friends, students may become aware of weaknesses in their argumentation that they might have overlooked before. Once this feedback is obtained and understood, it is very likely that the quality of future presentations will improve.

Conclusions

The purpose of discussing critical thinking aspects of the presentations prepared and delivered by first-year students in finance was to emphasize the idea that a mere linguistic approach to teaching presentations is not sufficient. As the analyses made in this article prove, most students at this stage do not possess the necessary skills that would allow them to understand the importance of grasping the real meaning of the topic they choose to focus on and to consider the logical relations among the ideas they perceive as relevant for that specific topic. Although university teachers of English are theoretically supposed to refine aspects related to vocabulary and linguistic devices, directing their efforts toward the development of fluency and accuracy in English presentations, they cannot ignore the fact that these aspects themselves are not sufficient and should be accompanied by the students' ability to critically assess and structure pieces of information. By encouraging students to develop this activity, teachers would help them improve not only the structure of their presentations, but also the quality of the way in which they deliver their speeches. Once they start doing more than collecting data, and once they understand the importance of personal interpretation in order to

establish relationships among ideas, students will become more aware of the relevance of the topic in discussion, which will help them internalize it and not just memorize a list of aspects related to it. The teacher will benefit later, as the quality of the seminars improves: once students become aware of the need to develop their critical thinking skills, as well as of the methods to do it, they will perform better in a large variety of oral and writing tasks. In their turn, students will also take advantage of the opportunity, as once they become familiar with the rules of logic and well-structured presentations, they should be able to transfer these skills to other activities, not only during the English seminars, but also during their academic, professional and day-to-day life, which will hopefully help them receive good feedback, both from teachers and from future employers. This could also help them improve their quality of life as they learn to make reasonable decisions, based on a sound analysis of all relevant facts.

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Abstract. *Baring in mind the fact that the aesthetics of leadership is an important aspect of the organizational life, in this paper we aim to present aesthetic leadership as a distinct approach within leadership studies. We will define aesthetics and underline its importance in the organizational life and in other leadership trends.*

JEL Classifications: Z00.

Key-words: aesthetics; leader; follower; leadership.

Introduction

The Greek word *aesthesis* refers to any kind of sensory experience regardless of whether it is sensuous or artistic. Aesthetics involves meanings we construct based on feelings about what we experience via our senses, as opposed to the meanings we can deduce in the absence of experience, such as mathematics or other realist ways of knowing.

Polanyi (1958, reprinted in 1978) contrasted explicit, objective knowing with more implicit, subjective, tacit ways of knowing. Leaders are said to use this tacit knowledge when they rely on 'their gut feelings' or instincts. At the tacit level is considered deeply ingrained and it resists any clear, logical explanation.

Robert J. Sternberg and colleagues (Hedlund et al., 2003, Sternberg, Horvath, 1999) have used tacit knowledge to explain a leader success. They noted that tacit knowledge is drawn from everyday experience, it guides action, and it is commonly understood in terms like professional intuition. Aesthetic knowledge is drawn from experience, guides action and it is difficult to codify. Also, it is used to construct and illustrate the felt meanings and the sensory experiences connected to the organizational life.

Aesthetics and organizations

Strati (1992,1996,1999) introduced an aesthetic approach to organizational studies. He investigated the experience of organizing taking into account its aesthetic construction. Strati wanted to centralize the elements of the organizational life and to differentiate aesthetics as a way of knowing from rational knowing.

Considering art and aesthetics within organizations, Dobson (1999) classified managers as technicians, moral managers, and aesthetic managers. Thus, the aesthetic manager is an artisan in an aesthetic firm, aiming excellence in craft instead of an exclusive pursuit of profit.

Ramirez (2005) put forward a theory to examine empirically why some aesthetics appeal to us and underlined the importance of symbols that are used in experiencing and sharing aesthetic dimensions. Chua & Degeling (1993) brought aesthetics as a means to assess a manager's actions. Also, Pelzer (2002) uses an aesthetic approach to describe the anxiety caused by organizational change.

Aesthetics within the leadership studies

Early leadership studies aimed to identify and measure specific features leaders had to have in order to be effective and be considered successful leaders. Then, they focused on the behaviours and styles the leaders should demonstrate. Transformational, charismatic, authentic leadership theories highlight symbolic leader behaviours and the interpretative role the followers play to determine leadership qualities. Charisma is a quality a leader may have but it must be recognized by the followers, therefore some implicit leadership qualities are

dependent on followers' judgement. This puts leadership within aesthetic framework as it is based on followers' sense and experience.

Aesthetics brings new insights to the creative aspects of transformational leadership as the latter encourages followers to be more innovative and creative. Visions are a way to inspire and motivate, this is achieved through a shared sense of purpose or mission. They are effective if they are communicated with enthusiasm and confidence (Conger, Kanungo, 1998). Stories are used to provide the organizational vision and align followers' aspirations (Gardner, Avolio 1998). They make followers work more effectively and give them a sense of purpose. Visions are dramatic and their structuring and delivery involves aesthetics (Hartog, Verberg, 1997).

Charismatic leaders have a significant impact on their followers. An important feature of charismatic leadership is the leader's ability to raise followers' self-concepts (Bass, 1985, Burns, 1978). Weber (1947) originally conceptualized charismatic leadership as a form of authority derived from ecclesiastical divinity based on follower perceptions, as opposed to formal authority. Charismatic leaders have magnetic personalities that draw followers and motivate them to achieve higher levels of performance (Bass, 1985). Followers are more dedicated to the leader and organization because of the relationship with the leader. Followers' aesthetic judgments are based on their sensory experiences during their interacting with the leader. Thus, we can talk about the subtle, underlying qualities, which we sense, but we cannot put our finger on (Sauer, 2005, Strati, 2000 a, b, c).

It is considered that authentic leaders are those that are true to themselves. Followers sense this and implicitly trust the leader. Authentic leadership includes organizational climate (Avolio, Gardner, 2005) as one of its three main elements in addition to leaders and followers.

The feelings members have toward their organization, like the organizational climate refer to the shared perceptions about the way things are in the organization. So, much of organizational life is seen in judgments based on felt meaning. An aesthetic approach may help to have better interpretations about the organization.

All of these leadership theories emphasize symbolic leader behaviors and the interpretative and productive role that followers play in determining leadership qualities. The judgments about a leader's qualities are implicit and subjective.

They involve sense making processes that rely on subjective tacit knowledge and aesthetic sensibilities. The sense followers make, and feelings they have, about the contextualized experience of leadership phenomena produces aesthetic knowledge (Hansen et al.).

Aesthetic leadership

We consider aesthetics as being concerned with knowledge that is created from our sensory experiences. It is the connection between our thoughts and feelings and how our reasoning around them informs our cognitions. Aesthetic knowing corresponds to the embodied, tacit knowing that is often contrasted with intellectual/explicit knowing.

Aesthetic leadership presumes that leadership phenomena are subjective. We construct the reality as far as it is known to us based on our awareness and perception.

In taking an aesthetic approach to understanding meaning, we assume that the judgments and interpretations made by followers are based on implicit, tacit, felt meaning coming from their subjective interpretation of leadership experiences. Aesthetic leadership inquires into the aesthetic meanings people rely on and form in constructing a charismatic leader.

The two components of an aesthetic approach to leadership are 1) engagement of the senses and 2) the focus on the experiential (Taylor, Hansen, 2005). An aesthetic view looks to open up opportunities and enlarge the understanding of leadership by becoming knowledgeable about the hidden and unrecognized sensuous ways of knowing.

In underlining the importance of everyday actions, aesthetic leadership takes a holistic perspective and a multidimensional view of skills and competencies of people interacting in complex contexts, as opposed to just cognitive faculties of leaders.

Aesthetic practices include language skills, listening, gazing, touch, and treating emotion and feelings as important sources of knowledge. Another distinguishing factor is that inquiry into aesthetics requires direct experience. One has to be there and experience the situation to understand it.

Aesthetic leadership knowledge is made, shared, transformed and transferred in relationships between people by interaction.

Aesthetic leadership focuses on the felt meaning, tacit assumptions, and the emotions as part of leader–follower relationships. For example, while charismatic leadership already assumes followers empower leaders with charisma, aesthetic leadership is concerned with the aesthetic judgments and emotional processes followers attended to in deciding whether or not to recognize a particular leader. Thus, we may understand leadership as a processual, subjective and interactive relationship.

Aesthetic leadership is concerned with the aesthetic aspects of social influence processes in leadership. Aesthetic knowledge refers to sensuous experiences (seeing, hearing, smelling, tasting and touching) that are lived in and through the human body. The focus is on interaction and the aesthetic knowledge that are produced by and guide interactions.

Up to this moment, the leadership studies have focused on the individual and cognitive rather than interactional (Fairhurst, 2007). The qualities do not reside in leaders, but rather in the interaction between leaders and followers. For example, aesthetic leadership might attempt to describe the intuitive processes followers go through, focusing on aesthetic knowledge they rely on, in determining if a leader is authentic.

Inquiry into aesthetic leadership requires qualitative methods. Qualitative research has made us better understand about how leaders manage meaning (Bryman, 2004).

The aesthetic inquiry attempts to capture the felt meaning various events and interactions have for both leaders and followers, and getting at the experiential aspects of sensory knowledge will require participant observation and qualitative interviews (Strati, 1992; Taylor & Hansen, 2005). In exploring these more aesthetic aspects of leader–follower interaction, researchers would ask about emotions rather than logics that surround particular organizational decisions, changes, and visions.

Conclusion

We have defined aesthetics and discussed how aesthetics can offer valuable insights to leadership current trends in leadership studies. We think that aesthetics put alight on what works in an organization and also what is in accordance with our tacit knowledge and emotions regarding a specific context. We also think that an aesthetic approach to leadership will transform the organizations and as a consequence increase the efficiency.

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PRIMITIVE “COMMUNICATION” LOOKED AT AS INSTRUMENT OF LEADERSHIP IN GLOBALISED ECONOMY

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Abstract. *In this paper I emphasize some guidelines that leaders should consider in designing successful communication. Information represents any thought, idea, decision which the leaders aims to share with the team/organization members. Generally speaking, the communication implies designing a message for one or more persons thus they perceive in the same way that message. The leaders have to learn how to communicate, taking into account that communication is an aptitude and in the same time management ability.*

Organization’s success depends in a certain proportion of the effectiveness of interpersonal communication within the organization, also named organizational communication is based on the objectives, functions and its structure.

Within the organization there are two types of communication: formal communication and informal communication. The formal communication is the communication process through the usual hierarchic charter channels. The formal communication creates patterns of communication between its members indifferent to the nature of the organization. The informal communication is the one that doesn’t respect the usual charter channels, and follows the patterns of the personal relations between the members of the organization.

Modern leaders are confronted with the most serious challenge: to build a successful organization. Imposing a solid communication within these organizations proves to be the most important element in dealing with this challenge.

JEL Classification: D83, Z00.

Key-words: communication, leaders.

Leadership represents the capacity to influence other persons with the purpose to achieve organisational objectives.⁽¹⁾

The etymology of the word leader shows that it comes from English and means master. (to lead = to conduct, to guide).

“About the art of leading we can find important references still from the philosophers of Ancient Greece. Platon speaks, probably, for the first time in its “Dialogs” about what we understand, today, through the notion of leadership. Carrying on the tradition of Socratic wisdom, the founder of the Republic shows that the virtue is the power to lead the people, but not anyhow, but good.”⁽²⁾

A study over the leader qualities of historic persons are found again in the significant papers of J.Adair. He shows the fact that the big quality – or the one that should be – of leaders is their capacity to motivate people, showing that *"this is related to the enthusiasm and commitment personal the leader, its capacity to communicate and share this enthusiasm to other, and the passion them....; if somebody has a job of manager, he won't be a leader than in the moment in which the function will be accepted body and soul by the ones is working with"*.

The leadership is struggling with the change. One of the reasons for which it becomes so important in the past years is the fact that the business world becomes more and more competitive and volatile. Rapid technological changes, increasing international competitiveness, demographic modifications are some of the factors that contributed to this

evolution. The net result refers to the fact that what it was made yesterday is made today with 5 % better than yesterday is not anymore a successful formula. The major changes are more and more necessary to survive and compete with efficiency in a new environment. As much as the changes are bigger, is a bigger need for leadership.

The most important instrument of efficient leadership represents the communication. The man, through its nature represents a communicative being. William Safire said that „the language developed because of our profound need to complain ourselves”. In the moment in which a person is isolated from the communication point of view becomes a lunatic with effects of psychic nature from the most severe.

Communication represents the process of impartation of information with other persons (Samuel, 2001, p. 87):

The information represents any thought, idea, decision that the leaders want to impart to the team members or from the organisation. In general, communication supposes conception of a message for a person or more, so that the respective persons understand in the same way the message. Because communication is an aptitude and, in the same time, a management capacity leaders must learn to communicate. (Samuel, 2001).

Interpersonal communication process contains the following basic elements:

1. Source / codificator – is the person which within the interpersonal communication process initiates and codifies the information that attends to be imparted with other persons. Codification represents arrangement of the information in a shape that allows us to be received and understood by another person. The source has a preponderant role in communication initiation, but cannot be controlled entirely the ensemble of communication process;

2. Signal – Codified information which the source intends to impart represents the message. A message that has been transmitted from a person to another person is a signal.

3. Decoder/destination – is the person or persons with which the source tries to impart the information, receiving the signal, decodes or interprets the message to establish its significance. Read-in is the process of message transformation again in information. The success of communication depends by the aptness of the content and shape of expression of the message at perception capacity, understanding of the addressee, at its spiritual state.

“Industrial society is of a major complexity, reflected by an accentuated division of work or specialisation of professional activities, as well as the compartmentalization of the all social activities. Specialisation pretends correlation, organisation or, more precise, activities coordination. Which supposes, indubitable, communication or change of information between coordinators and coordinated persons, between the base and the top of managerial pyramid. For communication modality, deterrent is the structure of organisation.” (Van Cuilefurg, et. Al., 1998, p. 134)

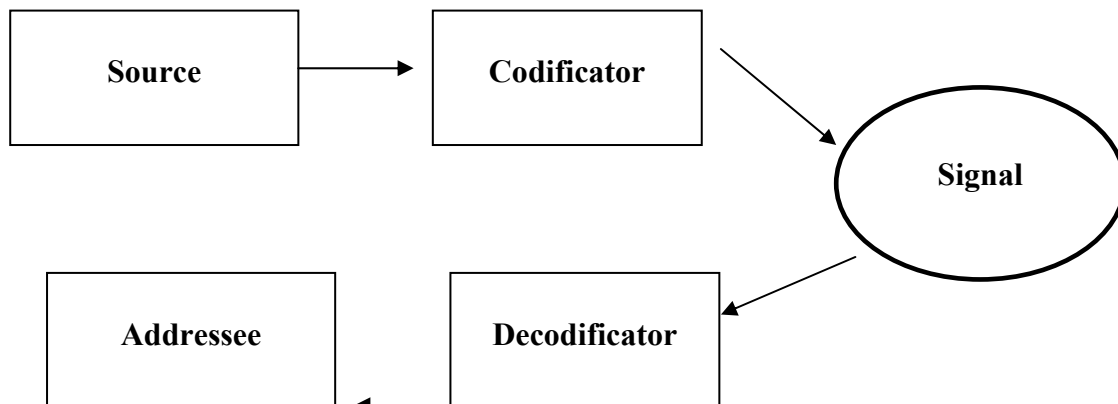
Exist more than 100 de definitions of the concept *leadership*. G. A. Cole presents leadership as “a dynamic process of the work in group, belonging to a person on a determinate period of time and in an organisational context, through which are determined other members of the group to engage themselves in fulfilment of group tasks or of objectives”.

Along the time, have been enunciated a series of theories to explain the way in which take birth the leadership. Always has been putted the problem if the leaders have native qualities or theirs becoming is influenced by a situational factor. Some people consider that leadership is a result of charisma, while other sustain that leadership represents the totality of behaviours that can be adopted.

As we mentioned, an efficient leadership cannot be realised without a communication equally efficient.

Successful communication refers to a process of interpersonal communication in which the information that the source wants impart to the addressee is identical to the meaning that the addressee is approaching from the transmitted message. (Samuel, 2001, p. 93)

To increase the possibility of a successful communication, the information must be codified so that the experience of the source concerning the way of read-in of the signal to be identical with addressee's experience. In his case, the probability that the addressee to interpret the signal in the way is followed by the source will be much bigger.



In general, a good leader is a strong person because to the others do not like to follow weak persons. This force of the leader comes from interior. You cannot lead anyone if you did not learned first to lead yourself.

Eric Berne (American psycho-therapist, “the parent” of transactional analyses) said that “the freedom gives you the power to fulfil your projects, and the power gives you the freedom to involve in others’ projects.”

Between the qualities that should have a leader we mention the following:

- To have an organisational spirit. In this quality the leader must trace and coordinate the team’s actions, to encourage team work and to know what and how much to ask from each member;
- To have respect for the others. (must be trusted in his subalterns, to give them freedom to express, to treat them as equals, to be firm, to not make compromises, to be equidistant);
- To be flexible (to adopt easily, to be opened to new, to have initiative);
- To be responsible (assume responsibilities, both merits and mistakes, to have decision strength);
- To be informed;
- To be devoted to the organisation is taking part (to act accordingly with the politics and values of organisation);
- To be a model for the others from the organisation;
- To be a good communicator, orator, with big power of persuasion;
- To be capable to prevent the future of the company.

The factors that reduce the probability of a successful communication are named obstacle of communication. To maximise the success of communication, leaders must know these obstacles and try to avoid them during the communication process.

The macro obstacles of communication are factors that stumbles the communication success and which are bounded, mainly, by the communication environment.

The most important and frequently meted macro-obstacles are the following:

- a) Increased need of information – in present, the society is modifying constantly and rapidly, and people need more and more information that in a certain moment can overcharge the communication networks, warping the quality of communication. Or the minimisation of this obstacle, the leader must ensure that the employees will not be assaulted by the volume of information, transmitting to them only those information that are essential to fulfil their tasks;
- b) Need of information more and more complex – technical progress in a continuous, permanent and rapid change and people are confronting with complex communication

situations each day. Fighting these obstacles can be realised through putting the accent on simplicity in communication or through a adequate formation in the field of activity;

- c) Contacts for and more often with people that are using other languages but Romanian;
- d) It imposes with necessity the knowledge at least of a language of international circulation, because the actions obtained an international character and communication with foreigners must be easy. Also, formal communication of the language is not sufficient, because people must be acquainted with the interlocutors culture also;
- e) The constant need to learn new concepts, reduces the available time for communication – leaders, in their majority, are in a continuous pressure to learn new, important and necessary concepts because of the complexity of the activities in which they are involved, occupying much of the available time and finds that these applications affects the communication with the other members of the organisation.

Micro-obstacles of communication are factors that trammels the communication success and which are tied up, mainly, by elements like communication of the message source and destination, namely:

- a) The source's point of view concerning destination – in the communication process the source has the tendency to see the destination in a specific way that will influence the sent message. Leaders must remain always careful not to transmit negative attitudes and to be opened bearing with those is communicating with, by using a adequate language (use of to elevated terms or terms of speciality reduces the possibility of integral and correct receiving of communicated information), unused of a high ton and marked by irritability, avoiding use of stereotypes in the meaning of presentation and transmission;
- b) Message intensification – stimulus that distracts the addressee's attention during message reception is named interface of message of noise. The effect of this obstacle can be reduced at maximum by truing to realise communication only in the moment in which the leader benefits of the entire attention of the persons to which wants to impart the information;
- c) The point of view of the addressee concerning the source – the addressee's attitude about the source can influence negatively the communication, that is way the managers must take into consideration the value of the message that they receive without taking into account of this personal attitudes concerning the respective source;
- d) Perception – represents individual presentation of the message. This depends by the level of education and experience of the addressee. For minimisation of negative effects of this obstacle is necessary that the messages that are transmitted to have a clear and precise signification, without ambiguous words that tend to amplify negative perceptions;
- e) The words with more significance – in a successful communication, the leader must not suppose that a word has the same significance for all the partners that take parte at that communication process, but must be attentive to terms definition that he is using and to use word in the same mod that the addressee is using them and to avoid using of words in different ways or of some different words in the same way.

Leaders have the obligation to control the feedback from the communication process. The feedback represents the addressee's reaction to a new message and can be used by leaders to assure the success of communication. Because of its raised potential value, leaders must encourage the feedback as often is possible and to evaluate it with attention (Mee, 1964, p. 67).

The Feedback can be verbal, and non-verbal. To obtain a verbal feedback the leader can, pure and simple, to ask questions to the employee, adequate questions related to the message; its answers can show if the message has been perceived as it was wished.

To obtain non-verbal feedback, the leader can observe the nonverbal answer of the addressee to the message. When the leader observes that the efficiency of its communication is relative reduce on a period of time, he must evaluate the situation to establish how he can improve its own communication aptitudes.

In the specialty literature are defined more styles of leadership, which are different and in function of the types of communication networks (the network type star, the network type circle, the network type chain, the network type chain, the network type Y and the network type crystal). These are the authoritative style, managerial style, democratic style and collaborating style.

In authoritative style the leader detains all the power of the organisation, he takes all the decisions alone and does not inform anybody by the actions he is taking. In managerial style the functioning of organisation is the only preoccupation of the leader. Within this category of leadership the leaders succeed to support good relations with team members, and this relation is remaining as long as the organisation is functioning well. In democratic style the leader's philosophy is that the organisation does not exist in the absence of the people which are composing it. Democratic leader asks opinions, asks for consultancy as documentation form. In collaborative style the leader tries to attract each person from the organisation in decision making process, the decisions being adopted after long periods of time, after long discussions. The leader wants to inspire trust and to develop team work. In practice is now one of these styles in "pure shape" but in combination.

The most important rules that must be respected by leaders to make a successful communication are (Zoletan et al., 1998, p. 505):

1. Quantity rule – the source must offer not much, and not less but the necessary information to the addressee;
2. Quality rule – in what they are saying, the speakers must respect the reality;
3. Relation rule – the message that is transmitted must be adequate to the communication's purpose;
4. Significance rule – the information must be meaningful for the context and circumstances in which the communication is taking place;
5. Style rule – the source must be clear, coherent, concise;
6. Receptivity rule – leaders must adopt their messages to the characteristics of the addressees and their experience.

In Romania the concept of "leadership" is little understudied, because is evaded of sight the examples worthy to note successful companies which, most of the time, are not even distinguished in mass-media. Only few foreign companies or with mixed capital imposed in their part a good intern communication that allows to be aware about what means the true concept of leadership. This is because of the fact that during 46 years, before 1990, the responsibility was of the unique leader; so people learned through methods truly ingenious, almost unimaginable, how to run from responsibility, how to make it truly inexistent. But, fortunately, the future is promising: leadership start to be perceived as a reality. The leader establishes the goal to reach, and the managerial team establishes the strategy of reaching the goal, and the operational team leads to the end the project.

The multitude and complexity of relations that are establishing between companies and extern economic agents and the market impose creation of a new need, visions in domain of communication. It is about appearance, use and development of a near future what we can call global communication. This concept is resulted from the need of the company "... to resort to all the possible ways of expression." The novelty of this concept, also to little known in Romanian environment imposes making some precisions.

First of all, this concept yields from a base principle extremely clear: both within the company, and within the society all bases on communication. At company level, any communicational expression must be looked as a vital element for identity delineation and its personality.

Secondly, it can be looked as a source of actions called to assure "... conceptualisation of communication potential quantity of a company, by transposition in practice of construction and capitalisation strategy of the trade mark image, application of the coherence policy and that of synergy of available centres, lead, with maximum efficiency of the ensemble of communication ways" (Weil, 1990, pp. 14/15).

Therefore, global communication is strongly built by historic dimension of the company, its organisational culture, by its future evolution. With its help are identified and integrated the fundamental norms and values that will allow to develop and adopt to the risk and uncertainty that rule in actual society.

Synthesising, we can appreciate the fact that the structure of modern corporative configurations is strongly influenced by the global perspectives of information and communication.

In this way, L.B. Barney and R. W. Griffin (Barney, Griffin, 1992, p. 132) propose as corporative approach the following configuration, influenced by their evolution in the economic scenery: international corporations; multinational and global corporations.

Power of information and communication in modern society generates at the level of the three forms of corporative manifestation, specific organisational cultures, as different results in the business world.

International corporations affect economical and communicational, both the resident state, and the territories outside the borders of the origin country, where they manifest themselves.

Multinational corporations, in which central activities, carried out in the origin country, are compensated by the volume of international operations, made in diverse host-countries, through construction of branches, subsidiaries or divisions in foreign countries. The last one is characterised by a raised grad of corporative and communicational independence toward the mother-society, their organisational behaviour being adjusted on normal systems, values and traditions from the area, country or region that hosts them.

Global corporations are characterised by a reduce grad of national influence at the level of this global entities. Typical example is that of corporation "Philips Electronics", in which case, 94% from the sells, 54% from the emitted actions are realised outside the Holland.

Global communication is not just a step, but also an actual strategy. Its application at the company's level will influence, in a positive way, both the immediate reality, and the logic of future development of the company. At the level of consumer, it will create a system of values and references unusually dynamic, interactive and in the same time, reactive. So, we consider that the step of global communication must realise through coherent and synergic use of all involved audio-visual means and methods: design, promotion, direct marketing, public relations etc.

Notes:

⁽¹⁾ www.winmark.ro/articole.php?art=65, 06.05.2008, 00:51

⁽²⁾ www.orizont.net/clubRO/crmd/crm/revista/nr3/nr3-4.html, 06.05.2008, 01:45

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